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# **Iranian Politics and the Origins of the Anglo-Iranian Oil Dispute of 1950-1951**

by

**Hesamedin Navabi**

**A Thesis submitted in partial fulfilment  
of the requirements for the degree of  
Doctor of Philosophy**

**Department of Politics**

**The University of Durham**

**1998**

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**17 JAN 2000**

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## Abstract

This study is primarily concerned with answering several important questions surrounding the Anglo-Iranian Oil Dispute of 1950-1951 which have remained unanswered. What were the detailed origins of the disputes between the Iranian Government and the Anglo-Iranian Oil Company ? Why was such a favourable oil concession granted to a British citizen ? What was the impact of the occupation of Iran on the Iranian people's way of political thinking and how did oil become an issue for public debate ? Why was there an oil crisis in 1951 ? What were the motivations of the parties to the oil dispute ? Was the crisis mainly over economic grievances ? What was the role of nationalism ?

These are answered within a framework that highlights the salient variables such as politics, economy, international relations and diplomacy. The methodology adopted is a descriptive analysis of archival material and literature on the related subjects. The emphasis is on the Iranian view of the crisis for the reason that, although it received international attention and was in many ways an international crisis, it originated in Iran. There were features unique to it which were Iranian.

Given the nature of Iranian society with its strong oral traditions, the past is important to an explanation of the crisis. It is alive in Iranian mind in a way not apparent to western society. Conceptions of the past and an awareness of the weakness of Iranian autonomy are important in the context of the 1950 crisis.

Consequently, it is necessary to examine the concept of history prevalent in Iran. This takes the starting point of the thesis to the D'Arcy oil concession.

In 1900, Iran was bankrupt in Western terms, the Shah needed immediate cash payment,<sup>1</sup> authorities were financially corrupt and politics was riddled with foreign intrigue. Oil had been sought in Iran since 1878 without much success. By 1900, the demand for Iranian oil was supported by the British Legation. D'Arcy, an English financier, managed to obtain, through connections with a string of individuals, an oil concession for 60 years. The Iranian authorities had every reason to believe that this oil concession, like all other oil concessions would eventually lapse. However, D'Arcy worked the concession to the point of bankruptcy and his engineer, to the point of exhaustion. As a result an oil industry was established which *"was to see the Royal Navy through two world wars, and to cause Persia more trouble than all the political manoeuvrings of the great powers put together"*.<sup>2</sup> The world oil rivalry, compounded with the British government's desire for oil independence, turned the Iranian oil industry into the largest oil industry of the time and an important source of income for the British Treasury.

The exploitation of the oil reserves of Iran by an industrial power soon became a matter of great controversy as disputes developed between two parties which extended over several decades. Iran received some funds in revenues. However, the revenues did not improve the Iranian standard of life considerably although they affected the balance of payments, currency reserves and purchase of arms. Iranian society was in the process of transition from a traditional society to a modern one. The Constitutional Movement of 1906 had an impact on the public's

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<sup>1</sup> Browne, *Persian Revolution*, pp 99.

<sup>2</sup> Elwell-Sutton, *Persian Oil*, pp 19-20.

political way of thinking. Reza Shah suppressed the society but the desire for a democratic system continued to exist. During the reign of Reza Shah (1925-1941), a large portion of the rural population moved to urban areas. The industrialisation of Iran helped in developing a new class of urban middle class and artisans. It was obvious that the relationship between Iran and the oil company needed re-adjusting. However, the oil company officials did not show much interest in this until it was too late.

The occupation of Iran in 1941 helped several political forces appear on the political scene. The released communist prisoners quickly formed the Tudeh Party. The communists were assisted by the Soviet forces in the North to the extent that the Tudeh, a communist party, became one of the main political parties of this period in an Islamic society. However, several factors helped monarchists overcome the communists. One such factor was an increasing American involvement in Iran after Pearl Harbour which functioned as a third power to reduce the dominance of the others. The Tripartite Treaty of 1942 regularised the presence of American troops. The Tehran Declaration of 1943 provided for economic aid at the end of the war. In 1947, the ideological basis for American involvement in Iran was provided by Truman Doctrine. The final blow to the Tudeh Party was delivered in 1949. The attempt on the Shah's life gave the monarchists an excuse to outlaw the Tudeh.

Contrary to their ideology, Moscow provoked discontented Iranian minorities rather than encouraging class struggle ! Moscow menaced Iran several times. At least at two occasions Moscow demanded an oil concession. They also threatened Iranian integrity and caused a great deal of public anxiety which directed public attention to Iranian problems. The Azarbaijan crisis of 1945-1946 turned

Iranian problem into an international one. Moscow's pressure on Greece and Turkey threatened Western interests in the Near and Middle East and caused inter-Allied friction. In 1941, Iran appeared to have become a model for Allied cooperation. By 1944, however, the first post-war oil crisis seemed to have turned Iran into a battleground between foreign powers ; the early stages of the cold war.

On the Iranian side, at least since 1944 there was a demand for oil nationalisation. The idea developed first into a law forbidding negotiating or granting new oil concessions to foreign powers until Iran was occupied. Mosaddegh was mainly responsible for this. Then in 1947, an overwhelming majority of Majles deputies rejected a Soviet proposal for an oil concession in the North. The Majles instructed the government to negotiate with the Anglo-Iranian Oil Company for better terms. This set in motion a chain of events which resulted in a proposal to supplement the 1933 oil concession which had replaced the D'Arcy concession. In 1949, a small group of nationalists fiercely fought the proposals. The press criticisms, the Majles debates and public gatherings helped ordinary people understand the oil issue.

However, despite strong opposition, the monarchists were in favour of the Supplementary Agreement and attempted to resolve the issue by appointing a strong military man, General Razmara, as prime minister in June 1950. The idea, however, backfired as public desire for the removal of foreign influence was now strong. The Majles opposition, the press and the public appeared to be united. Nationalist feelings were fuelled by long-term resentment over the oil company's handling of the oil issue. By early 1951 nationalist sentiment was too strong to be curtailed. By this time Razmara had become a threat both to the Shah and to the nationalists and acted like an obstacle on the way to the oil nationalisation. His assassination, in March 1951, removed this obstacle.

By this time the support for the movement, the demand for oil nationalisation and respect for Mosaddegh covered far-right to the far-left as both clergy and communists supported the nationalists. The communists were represented by the banned Tudeh Party. The political activities of the clergy was mainly associated with Kashani. His role in the movement and relationship with Mosaddegh were vital to the existence of the movement. However, Mosaddegh and Kashani were on a collision course. The Western-educated Mosaddegh was secular. Kashani, on the other hand, was in favour of an Islamic state. The same definition applied to their supporters. However, although they differed in their outlook, the unifying figure of Mosaddegh brought them together over the oil issue; a process which was reversed after 1951. Kashani and some nationalists weakened Mosaddegh and assisted in his downfall.

Mosaddegh initiated the first petrodiploamacy in Iranian history. He dedicated his life to fight foreign domination and the nation trusted him. Without him it would be impossible for the nationalists to acquire a political standing strong enough to nationalise the oil. Regrettably, his downfall in 1953 brought an end to his efforts to remove foreign influence from Iran.

Iran has been a centre of major political events for over 2000 years. In recent history, the development of two superpowers, Russian and British empires, on either side of Iran changed Iran's geopolitical situation to the extent that they fought within Iran for the dominance of Asia. As a result Iran's independence was weakened, its integrity was threatened, domestic feud was encouraged, corruption and intrigue were promoted, and self-interest and low morality became a feature of life.

Whether a victim of international power politics, or a victim of internal strife, low political culture, and short-sightedness of Iranian politicians, the super powers could not tolerate the upset of the oil control in the Middle East. The country-by-country flare-up effect of such an achievement would be disastrous for the Western economy. In their view, the nationalist movement of Iran had to be defeated.

Indeed, no other oil-producing country considered oil nationalisation for many years to come.

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## **acknowledgement**

I would like to express my profound appreciation and gratitude to Mr Charles Reynolds, Senior lecturer at the Department of Politics, Durham University, for his excellent guidance in preparation of this thesis. I have no doubt that it was his vast knowledge of international politics, invaluable advice, constructive criticisms and excellent comments that guided me through this research.

I would also like to thank my parents for their constant inspiration with whom I checked certain details of the political events of the 1940's of Iran.

Thanks are also due to my sisters who checked, on my behalf, certain Iranian newspapers of the 1940's in Tehran libraries.

# Chapter I

## Introduction

In the last few years of the nineteenth century Britain expected an enormous increase in oil consumption. Domestic and industrial consumption had increased and Britain, due to the emergence of a German naval power, needed to modernise battleships by converting the coal-powered ships into oil-fuelled ones, an idea which had originally been suggested by John Fisher as early as 1882.<sup>3</sup> Indeed, it was not too long before two British vessels were experimentally tested for oil-firing in 1903. In addition, there were other facts to be taken into consideration. Britain was heavily dependent on American oil which was mainly supplied by two major companies, Exxon and Shell. The world-wide American price-cutting of 1896 which was a matter of life or death for many European Oil Companies, had not been forgotten.<sup>4</sup> In recognising the importance of oil for Britain in the twentieth century the oilmen were 20 years ahead of politicians. This was so evident that one could take almost any year during 1890's as the starting point for British oil independence.

At about this time, oil was mainly an American industry and had grown rapidly for the past four decades. American domestic consumption which was only a few thousand barrels in 1859, reached 500,000 barrels in 1860 and 64,000,000 barrels in 1900.<sup>5</sup> In 1890, Exxon established companies in France, Britain and Germany

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<sup>3</sup> Elwell-Sutton, *Oil Diplomacy*, pp 16.

<sup>4</sup> Deterding's statement quoted in Hewins pp 62.

<sup>5</sup> *Petroleum Handbook*, Appendix. McBeth, pp 1.



and seven years later Shell was registered in London with a capital of 42,000,000 pounds. The extent of their control on oil market was such that even in 1919 Sir Wilfred Stokes commented that all aspects of industry were controlled by these two companies.<sup>6</sup> British authorities had considered over-dependence on American oil unsafe. The oil independence was in the process of becoming a policy.

The British Empire was at this time in charge of large portions of the world but surprisingly, there was little oil to be found within the empire.<sup>7</sup> British capitalists had taken part in oil exploration as early as 1886 when they formed Burmah Oil Company to explore oil in upper Burmah but the oil reserves there did not appear to be sufficient. Attention had to be paid to investing in areas where there was possibility of oil discovery in larger quantities. One such area was Iran where existence of natural oil ponds had been reported and at least at two occasions, possibility of oil discovery in large quantities had been indicated by Westerners. In 1890, Sir Henry Wolff, British Ambassador to Iran submitted a report to Lord Salisbury claiming that Baku oil fields were in the process of exhaustion whereas oil fields of Iran promised a good future.<sup>8</sup>

The urge for oil search in Iran had also been intensified through political rivalry between Britain and Germany. In 1888, Germany was most anxious to obtain mining concessions for the Anatolian Railway. It was not unusual of those days to obtain mining rights each side of the track. In 1866, when a 6-mile railway was constructed from Tehran to Ray, the builder was granted mining rights, which included oil, 4 miles either side of the track.<sup>9</sup> In 1891, Gulbenkian published

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<sup>6</sup> Nahai, pp 25.

<sup>7</sup> Moghari, pp 43.

<sup>8</sup> PRO FO 60 511 30 June 1890. Baku oil fields carried on producing until after the Second World War !

<sup>9</sup> Amuzegar quoted in Mangone, pp 290.

a report on the possibility of oil discovery in Mesopotamia. The report was so favourable that Soltan of Ottomani transferred tracks of land from the Ministry of Mines to his Civil List. The Anglo-German rivalry reached its peak in 1898 when Kaiser paid a state visit to Constantinople. The pro-German sentiment was high and Soltan of Ottomani, like Iranian statesmen, played the game of using one great power as a foil against another in order to prevent partition of his empire. However, the main point, as far as Britain was concerned, was Baghdad-Berlin Railway with oil rights 20 km each side of it. The threat to communications with British India, the Far East and Australia awoke Britain to the real meaning of German penetration in the Middle East. Indeed, it was growing Anglo-German rivalry which resulted in the First World War and it was the importance of the oil for great powers which was the reasons for Hitler's adc towards Baku oil fields in 1941.

It is not, therefore, surprising to learn that in 1900 Sir Henry Wollf, former British Ambassador in Tehran (minister as known at that time) had encouraged William Knox D'Arcy, an English financier involved in gold mining in Australia, to purchase a concession in Iran. D'Arcy, in turn, asked geologists for advice who confirmed that the geology suggested possibility of potential petroleum discovery and eventually, on 28 May 1901, D'Arcy's agent managed to obtain a concession from the Shah of Iran for sixty years. In those days, it was not much difficult to obtain a concession from the Shah as all natural resources and uncultivated land theoretically belonged to him, but such a favourable concession obtained from a king unmindful of country's welfare and surrounded by corrupt politicians which granted exclusive right of exploring and exporting petroleum in much of the country, was to be the basis of a long-term dispute between Iranian and British

Governments which lasted for nearly fifty years and ended in nationalisation of the oldest oil industry in the Middle East in 1951.

This research will attempt to present a detailed and impartial study of this bitter and frustrating dispute which focuses on the 1951 oil crisis and will also consider aspects of historical, social and political life in Iran between 1901 and 1951. It will also attempt to answer questions such as : Why was the oil concession granted ? Why was it granted to a British citizen ? Why was Iran occupied during the Second World War ? How did the oil crisis of 1944 began ? How did Moscow threaten Iranian territorial integrity and attempted to obtain an oil concession ? How was the Azarbaijan crisis resolved and what was the impact of these crises on Western attitude towards Moscow in the developing cold war ? But the central focus of this thesis is to answer the question that why was there a crisis and how did oil become an issue for public debate and the process through which it was nationalised.

The circumstances of the Anglo-Iranian Oil Crisis reflect some of the characteristics of most international crises. The apparent urgency of negotiations, the rapid pace of events, the apparent intransigence of the various institutional and national positions, the involvement of the media, and manipulation of citizens, fictional infighting as groups seek to maintain or improve their position, and the imminence of violence are all common features of such crises. However, this thesis is not about international crises in general or about this specific crisis. It is concerned with the major question of how this situation came about within Iran and focuses on the Iranian dimension. The emphasis is on the specific conditions within Iran which contributed to the creation of a situation of confrontation between the British and the Iranian governments.

There were features peculiar to Iran not found in other international crises. In particular, the modern aspects of secularism combined with the conservatism of a predominantly illiterate and deeply religious society created a novel and temporary coalition united on a single issue. These were to separate and conflict in a later crisis producing a political revolution but the elements were first visible in the oil crisis.

No general crisis theory either of the inception of the crisis or of its development seems appropriate given the conditions peculiar to Iran in 1951. There were specific features which fall outside the generalisation of theory. The purpose of this thesis is to explain them and their significance. The method chosen therefore is interpretative and analytic, seeking to identify the relevant factors and conditions and to relate these to the final confrontation. Considerable attention has been given to the historical dimension given the importance of the oral tradition in Iran and of the historical perspective adopted by a highly conservative society.

The religious dimension, with its own traditions is also important. In particular one unique feature of the crisis was the dominance, albeit temporary, of one man- Mosaddegh. This enquiry thus places considerable emphasis on his personality and ideas together with the peculiar status he had in Iranian politics. The methodology thus reflects that of methodological individualism with its emphasis on intention and social context as understood by the participators. It does not seek to generalise or employ general and determining concepts such as structure or process. Individuals act in a context not of their making but of which they are cognisant and to which they contribute. In the case of Iran this was a unique environment and individuals were uniquely important.

Chapter Two presents a history of oil search and granting oil concessions in Iran. As the struggle took place in Iran, it is essential to explain the Iranian setting to trace the background to offering foreign concessions. Such background information is necessary because it explains why such favourable concessions were granted at all. Also, to investigate the impact of oil on Iranian society one has to know the pre-oil Iranian society. A description of the growing penetration of Iranian economy by foreign powers, the pattern of exploitation, the desire to possess as much oil resources as possible, to derive the rivals out of the oil race, to establish exclusive supply sources, the division between exploiters and character of the string of individuals involved is given. The gradual transition from the traditional to modern Iranian society due to communications with the West is considered and the process of "*enlightening*" people and its subsequent effect on the public awareness is analysed. The Iranian society's contact with the West had accelerated when a Western style polytechnic was established in Iran in the 18th century and some leading families sent their sons to Europe to study.

The character of Iranian politics in the 1940's is investigated in Chapter Three. The economic and social problems caused by the war, the separatist movements, the communist influence in the north, the growth of constitutional establishments, the Iranian obsession with the past history and the expansion of the Iranian nationalism are explained. A biography of Mosaddegh is included as it was respect for Mosaddegh which brought factions together and prevented an early split amongst them. Lack of independence of the Iranian foreign policy and the application of the traditional policy of "*movazeneh*" which eventually led to a confrontation between East and West over Azarbaijan and the early stages of the cold war during the oil crisis of 1944 are analysed. Political parties are described and it is explained how

Tudeh, communist in an Islamic background, became one of the main political parties. An important political event of the 1940's was Kavtaradze's demand for an oil concession in 1944 which caused inter-allied friction before the war coalition was ended. It also stirred up public sentiment. Premier Ghavam rigged the 15th Majles election to serve his purpose but he rendered a great service to Iran in seizing the opportunity to secure the Soviet withdrawal. In 1947, Moscow again pressurised Iran for the ratification of Irano-Soviet Oil Concession which drew public attention to Iranian problems.

Iran in the international setting of 1940's is the theme of Chapter Four. The German invasion of the Soviet Union and their offensive against Egypt justified the Allied occupation of Iran. The Allies agreed to leave Iran after the war but Moscow's intrigue menaced Iran, Greece and Turkey. It looked as if Stalin intended to use Iran as a base for domination of the Middle East. Kavtaradze demanded an oil concession in 1944. Moscow supported two separatist movements in the North and refused to leave the area after the war. Iran made complaints to the Security Council. Washington's support and Moscow's considerations in Eastern Europe coupled with the world opinion and Ghavam's agreement to offer Moscow an oil concession brought about their withdrawal in May 1946. Moscow's pressure, however, continued in 1946 and 1947 to obtain an oil concession in the North but Majles rejected the proposal.

It is essential to study Moscow's aggression in details as their open activities in Iran helped the process of developing the people's thinking and directing their attention to Iranian problems in particular the oil issue. The international consequences of the occupation, the growth of American interest in Iran, the reluctance on the Soviet side to withdraw troops from the North, Ghavam's tactics to secure

the withdrawal and the role played by the Security Council in 1946, are analysed. The separatists movements in the North are described and it is explained why the oil concession promised to Moscow was rejected in 1947.

Chapter Five describes the Iranian desire to have a share in the oil exploitation and explains how oil became an issue for public debate in the 1940's. In October 1947, when the Irano-Soviet Oil Concession was rejected, Majles instructed the government to negotiate with the Anglo-Iranian Oil Company for better terms. This instruction may have been considered as a gesture to Moscow that the Anglo-Iranian oil company was also subject to the same treatment by the Iranian Government. However, it set into motion a chain of events which eventually led to the oil nationalisation. Moscow's aggression against Iran helped in raising Iranian public awareness. The growth of the Majles, the heated debates over the rejection of Kavtaradze in 1944, the role of clergy, the role of monarchists in resolving the issue in the late 1940's, and nationalist's parliamentary activities to foil monarchists, are studied. Early 1950, clergy and nationalists superficially united, a process which was reversed after the nationalisation of the oil industry. The outrageous behaviour of the oil company officials and their lack of interest in negotiation, Mosaddegh's popularity and the election of nationalists to the Majles which resulted in the nationalisation of the oil industry are evaluated.

Conclusions drawn from this study are summarised in Chapter six.<sup>10</sup>

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<sup>10</sup> Throughout these writings the name Iran has been used instead of Persia except where Persia appears in quotations. The name Russia has also been used instead of Soviet Union up to 1917. As for transliteration, spelling and pronunciation of Farsi names has always been a problem in Western writings. As Shuster commented "half a dozen people are apt to write a Persian name in six different ways" (Shuster, pp xvi). With few exceptions, all Farsi words have been spelt as they are pronounced in Farsi. For instance, names such as Kitabgi, Ketabgi or Ketabji have no meaning in Farsi but Ketabchi makes sense !

## Chapter II

### Historical Background to the Crisis

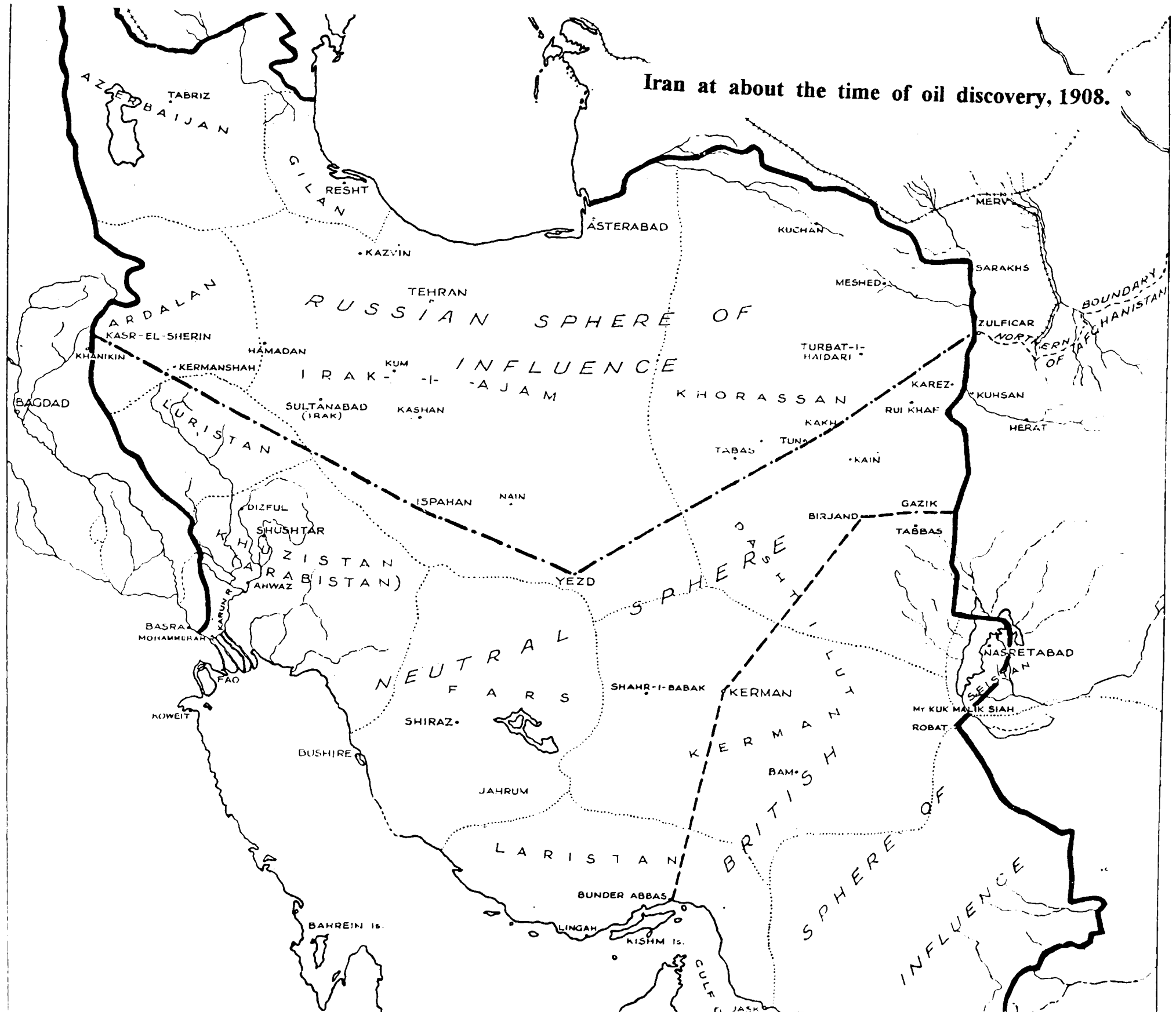
This chapter presents the history of oil search in Iran, granting oil concessions to foreign and Iranian nationals, the growing penetration of Iranian economy by foreign intervention, and presents a description of Iranian society shortly before D'Arcy concession was granted. It is essential to explain the Iranian setting to understand why such favourable concessions were granted to foreigners. First, a history of oil search in Iran is presented. Then, D'Arcy's concession and the disputes related to it is evaluated. The period covered begins on 28 May 1901, when a concession was granted by Mozafar-eddin Shah and ends on 1 May 1951, when Mohamad Reza Shah approved the Iranian Oil Nationalisation Act, by virtue of which all fixed assets of the Anglo-Iranian Oil Company were transferred to the Iranian National Oil Company.

#### 2.1 Iran : a brief history

Iran has a very long and sometimes glorious history during which it was ruled by a number of dynasties. The monarch was known as the Shah, a Farsi word meaning king, and some as Soltan, an Arabic name which has the same meaning in Farsi. In recent history, almost all monarchs enjoyed the title of Shahanshah, King of Kings, a title which was normally given to an absolute monarch who ruled over the entire plateau of Iran. A mere public figure like Ahmad Shah, the last shah of Qajar dynasty and a king like Mohammad Reza Shah Pahlavi, both enjoyed the title which would be given to kings like Shah Abbas the Great, who after almost



Iran at about the time of oil discovery, 1908.



1000 years since Arab invasion, gained political unity for Iran.

During Safavi Dynasty (1500-1736), the Iranians had to be united against the Ottomani Empire and the best way of achieving this was considered by the ruling system to be through religion. Moslems had long been divided into two main sects of Sunni and Shia. The Shia was only a tiny minority in Iran until then and had always been persecuted by Sunni rulers. The ancestors of Safavis never claimed to be Shia but during the reign of Shah Esmail I (1487-1524), a fake biography was written relating them to the Shia Emams and Shiaism became the official religion.<sup>3</sup> A long and bitter conflict was initiated which lasted until the disintegration of the Ottomani Empire in 1921.

The Iranian society continued to be mainly dominated by shia thoughts until mid-nineteenth century, and it has been rightly claimed by some Iranian researchers that the main reason for Iranians falling behind Western technical advances was the existence of a political barrier between Iran and the Western Europe, i.e., the Ottomani Empire. Iranians have never, it has been claimed, been reluctant to learn from foreigners and that is why, the interest in Western culture and civilisation continued to increase in the eighteenth century.<sup>4</sup> To this, one has to add the British policy of maintaining integrity of Ottomani Empire to keep France and Russia away from the Middle East and India.<sup>5</sup>

Before 1906, the ruling system was absolute monarchism in which the Shah or Soltan practically had unlimited power and was responsible to no one. The Shah was not the only despot in that governors of provinces appointed by the

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<sup>3</sup> Lockhart, pp 18.

<sup>4</sup> Young, Problem of ..., pp 48.

<sup>5</sup> Shwadran, pp 7.

monarch and all members of the Royal descent would behave in the same manner within their jurisdiction. It is not, therefore, difficult to imagine that almost every insignificant landlord would entitle himself to exercise the same practice on his own land. The only exception to this was nomadic life, who counted for one quarter of the population at about 1900. Tribesmen had enjoyed living in the openness of the mountains and deserts of Iran enjoying a sense of independence and freedom unseen in urban areas.

The monarch was not traditionally held accountable and as a matter of fact the question never came across anybody's mind. It was only in the early 1900's and due to the communications with the West which resulted in what has been known as "*enlightening*" people, that Iranians eventually demanded constitutional monarchy. However, despite their absolute power, since the defeat of Iran in two wars with Russia in 1813 and 1828, all Iranian monarchs have been subject to foreign influence and political restrictions. Unlike their predecessors, they had to take into account hostility when granting concessions, signing treaties or applying for foreign loans. An example is the D'Arcy's Concession in which five northern provinces were excluded to avoid Russian resentment.

Between 1811 and 1815 and for the first time in Iranian history, a limited number of students were sent to France.<sup>6</sup> In 1851, a European style college, Darol-funun (polytechnic) was established in Tehran and for the first time a newspaper, although mainly containing the Court news, was published. But after the attempt on the Shah's life by some members of the Babi community, the Shah banned sending students to Europe for they would return with subversive ideas ! Some members of the Royal Family, however, managed to obtain permission to send their

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<sup>6</sup> Armajani, pp 118.

sons to Europe. Foreign military and financial advisers were invited from Belgium, Sweden and France to reform the administration.

Approaching the end of the nineteenth century, Western educated Iranians had sufficiently transmitted into the Iranian society western culture and methods to challenge the traditional way of governing the society. The Western-inspired nationalism could be seen in the opposition to the monopoly of tobacco in 1891 and the idea of Western constitutionalism which created the reaction to absolutism. The Western-originated desire of Iranian people to have a say in public affairs took a practical form during the last few years of the reign of Naser-eddin Shah. The Iranians had remained loyal to the Shah during his reign of nearly 45 years, but the wholesale selling of people's rights and industries and the despotic behaviour of the Royal officials could not have been tolerated any longer.

The wrongdoings of the Shah had long been criticised by a Mojtabeh, Seyyed Jamal-eddin, who had also advocated his idea of a universal Islamic Government throughout Moslem countries. He encouraged one of his followers, an ordinary man, to assassinate the Shah. The assassination took place in May 1896 and ended nearly 50 years of the Shah's absolute reign. The end of Naser-eddin Shah opened the way for the introduction of a new ruling system which materialised through the Constitutional Movement of 1906. Although the system promised did not last long, the idea of a pluralistic political system continued to exist.

The situation in Iran few years after the establishment of the Constitutional Government has been described by Morgan Shuster and it will, to some extent, resemble the situation in 1900.<sup>7</sup> Shuster, an American national, had been invited to Iran to regularise the national finances which was in chaos. He eventually left

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<sup>7</sup> Shuster, pp 35-48.

Iran in 1912 because of Russian opposition. Shuster commented that the country was being ruled by a professional ruling class and that the future of millions of people depended on the line of action that they took from time to time the results of which was misfortune and misery for millions of people. Every member of the ruling class, whose main intention was to satisfy his own financial needs had a title which was normally bought from the Shah. Titles such as Amirol-Omara (Marshal of Marshals), Momtazol-Molk (Unique of the Kingdom) or Nasserol-Molk (The Helper of the Kingdom) were common and sold to the highest bidder !

The ruling class, who were also landlords, was the most substantial and influential class in Iran, but they had not yet developed a system to curb the Shah's power. Indeed, as Edward Brown commented the Iranians were so obedient that he could not believe that they had demanded constitutional monarchy.<sup>8</sup> Ordinary Iranians are described by Shuster as tyrannised and corrupt by the aristocracy of selfish landowners. The people are described as kind and hospitable and capable of rapid development in Western ways as thousands have travelled or educated abroad. Among the educated French was generally spoken but English was being learnt by youngsters.

Sir Percy Sykes has also expressed similar views about Iranians around 1900. He wrote "*Persians possess remarkable political acumen... I have reason to consider Persians to be the finest and most gifted race in Western Asia. ... Almost all over China a whiteman is liable to insult.... whereas in Persia apart from a few fanatical centres, a European is generally welcomed by all classes, especially if he speaks the language*".<sup>9</sup> In 1942, General Greely described Iran as a "*fine country*

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<sup>8</sup> Browne, *Persian Revolution*, pp 15, 22.

<sup>9</sup> Sykes, *Ten Thousand Miles in Persia*, pp 457-458.

*with a virile people, and more could be done with it than McArthur did with the Philippines".*<sup>10</sup>

Sykes states that the chief social and economic groups are peasants, landowners, nomadic tribes, religious hierarchy and merchants. Nomadic tribes count for one quarter of a 10 million population of which 85 per cent are illiterate. Of almost 7.5 million non-nomadic population, 90 per cent work on the land normally belonging to an absentee landlord. They are free to leave but are practically bound to the land as no other khan is prepared to take them on. Thus, they have no other alternative except to live in small mud villages under minimum standard of life. Their contributions make 80 to 90 per cent of GNP<sup>11</sup> which is estimated to be 70,000,000 pounds. Sykes estimates the total government revenue for 1900 to be only 1,300,000 pounds. The Iranian Government desperately needed foreign loans for which they had to offer either customs or fisheries of the Caspian Sea, and it is true to say that in 1900, Iran was actually bankrupt. The power of the religious hierarchy at about 1900 should not be neglected as it was approaching its peak during the Qajar rule. In 1890's, clergy tested its power against that of the Shah and won. They again used their power against the Prime Minister, Amin-ol-Soltan, about his alleged dishonesty over Russian loans of 1899-1900 and 1902, and forced him into exile in 1903.

The first formal commercial contacts between Britain and Iran appears to have been made by Antony Jenkinson in 1562. Sherley brothers arrived in 1598 proposing European alliance to confront Ottoman Empire and were offered jobs to build cannons and introduce firearms into the Iranian army<sup>12</sup> and by the early

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<sup>10</sup> Motter, pp167.

<sup>11</sup> Defined as the total value of all final goods and services produced annually by a nation.

<sup>12</sup> Details of their adventure has been given by Ross in his book Sir Anthony Shirley.

1600's, trade in the Persian Gulf had emerged as a by-product of trade with India through East Indian Company.<sup>13</sup> The relationship between Iran and Britain was mainly commercial.

Not much difficulties with Iran were encountered until 1850's when Iranian troops invaded Western Afghanistan in 1856. Britain, in turn, occupied the island of Kharg, Bushehr and Mohamareh (later on Khoramshahr) forcing the Iranian Government to withdraw from Afghanistan. Britain did not experience any major conflict with Iran after 1856 but was concerned about the security of India in 1870's when Russia advanced towards Afghanistan borders by occupying areas nominally under the Iranian rule. The internal security of Iran was of paramount importance to Britain as a buffer state for India. Lord Salisbury's comments in 1889 that had it not been for the security of India, Britain would not have troubled itself in Iran is evidence of this.<sup>14</sup>

The main commercial concern of Britain in Iran towards the end of the 19th century was to obtain concessions such as De Reuter (1872), Lottery (1889) and Tobacco (1891), and politically to protect Iran against Russia. It is important to be conscious of the fact that the Anglo-Iranian relationship which was originally trade between two nations, soon changed nature when the Iranian Army was defeated in two wars with Russia. The war resulted in the loss of seventeen cities in the Caucasus area and a continuous decline in the political power of Iran. The political weakness of the Iranian Government and British interest in using Iran and Afghanistan as buffer states against Russia and France, marks the beginning of a new era in the Anglo-Iranian relationship. Iran was no longer a mighty nation and

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<sup>13</sup> McBeth, pp 34.

<sup>14</sup> PRO FO 60/506, Indian Office to Foreign Office, 22 May 1889.

the relationship was not based on commercial interests either. From this moment onward every intervention of Britain in Iran, regardless of its nature, is associated with political consequences.

Towards the end of the nineteenth century, the political influence of Britain had become, at least in Tehran and Southern Iran, an obvious fact of life. Resorting to British influence became so common that in 1906 and for the first time in Iranian history, some 16,000 people sought sanctuary in the British Legation to demand changes in absolute monarchy. Britain had been identified with the Constitutional Movement. The understanding of British influence, their secret contacts with influential ministers, religious leaders and Bazar, will help to understand why concessions so valuable were so easily granted to British subjects and not to other Europeans.

With regard to the oil concessions, oil had been known in Iran for many centuries. Ancient Iranians appear not only to have had a basic knowledge of crude oil which seeped out of natural shallow wells but also to have adopted a primitive refining process to separate bitumen and lighting oil. Natural gases had also been known to the locals who used them in fire-temples of the ancient Zoroastrians in the North West of Iran. The Iranian knowledge of crude oil, however, does not appear to have changed over a period of more than two thousand years for in 1901, when D'Arcy's concession was granted, there were three natural petroleum mines in private hands operating on the same basis as mentioned above.<sup>15</sup> The Iranian Government's annual revenue of the these mines has been mentioned as 2000 Tomans in the Article 4.<sup>16</sup>

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<sup>15</sup> Shwadran, pp 14.

<sup>16</sup> Approximately 500 pounds. The Sterling exchange rate increased after the Second World War to 68 Rials and then to 148 Rials. After 1978 uprising, it rose sharply and currently stands at 8500



In modern history, Western travellers have made many references to oil seepages around Baku (under Iranian rule until 1806) and in the South West. The seepages normally belonged to the landowner. In 1902, for instance, two local khans in the province of Kermanshah, Aziz Khan and Mohamad Karim Khan, owned two seepages near Sareh-poleh-zahab. The inability to develop oil reserves made Iran a profitable market for the Russian oil which appeared in Tehran in 1876. The oil imported from Baku was dense and had to be processed in a refinery in the Iranian port of Rasht. The refined oil contained about 50 per cent kerosene or in a homely term, lamp oil. The remainder which could yield gasoline, benzine, fuel and lubricating oil, was treated as waste ! Iran was Moscow's exclusive oil market until 1923 and even in 1929, 70 per cent of oil was imported from the Soviet Union. It was only in 1933 that the Anglo-Iranian Oil Company acquired oil monopoly in the domestic market.<sup>17</sup> A large number of Iranian labourers had spent some time in Baku oil fields. Entner, in his study of commercial relationship between Iran and Russia, states that there were very few Iranian labourers in the North who had not spent a year in Baku.<sup>18</sup>

## 2.2 D'Arcy and Iranian Oil

The possibility of oil discovery in Iran had first been scientifically indicated in August 1855 by W.K. Loftus, an English geologist who had pinpointed areas of interest on the geological map. In 1891, Governor of the province of Kermanshah requested a French archaeologist, Jacque de Morgan, to search for oil in his province. The existence of a natural petroleum mine near Qasre-Shirin close to the Ottomani border, had apparently convinced the governor about the existence

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Rials.

<sup>17</sup> NIOC, pp 12.

<sup>18</sup> Entner, pp 60.

of oil in his area. De Morgan published his findings in *Les Annales des Mines* in 1892 but it did not interest French capitalists to explore oil in Iran. Even attempts by Ketabchi Khan, the Iranian Commissioner at Paris Exposition of 1900, did not change their mind.

Ketabchi Khan, an Iranian Arminian who was once Director-General of Customs Administrations and a close confidant of the Prime Minister, Aminos-soltan, probably had no intention of securing any profit for the Iranian Government but only to sell, to Westerners, an oil concession granted to Sepah-Salar in 1896 for 15,000 pounds.<sup>19</sup> He had contacted Serkis Golbenkian, a leading figure in Baku oil affairs, who turned his offer down. He, therefore, turned to Sir Henry Wolff, a competent diplomat and the former British ambassador in Tehran to encourage British capitalists to look for oil in Iran.

The intervention by Sir Henry cost Iran heavily in that proposals by Ketabchi Khan interested a 51 year old millionaire, Willian Knox D'Arcy, and eventually resulted in obtaining an oil concession, which unlike other concessions granted to British subjects, coincided with the British desire for oil independence. Oil in Iran had been sought as early as 1878 through a concession granted to Amin-Madan, an Iranian national. Persian Bank Mining Rights Corporation obtained a right to search for oil through De Reuter's second concession of 30 January 1889. A series of drillings had been carried out in Qeshm, the South West and the North during 1891 to 1893 with no results. This forced the Corporation to abandon the search for oil in 1893. By this time Admiralty had become interested in British oil independence. Britain was relying on imports from America through American

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<sup>19</sup> Hewins, pp 67.

companies which supplied two third of British oil imports.<sup>20</sup>

The prospect of finding oil in Iran was bleak. D'Arcy had to form a company within two years of the date the concession had been granted or he would have forfeited it. Drillings had already started near Sareh-Poleh-Zahab in November 1902 and oil had been found but not in large quantities. Despite numerous efforts and contacts with his associates, D'Arcy had not succeeded in obtaining financial backing for his concession. After taking legal advice, the First Exploitation Company was registered in London on 21 May 1903, by which time he had already invested some 250,000 pounds of his own money, perhaps today's equivalent of 2,500,000 pounds. In return for transferring his concession to the company, D'Arcy would receive 350,000 shares of 1 pound fully paid. D'Arcy had certain commitments to fulfil. He paid the Iranian Government 20,000 pounds in cash and 20,000 pounds in shares as well as his personal debts of honour of 19,000 pounds and 30,000 shares to those who secured the concession.<sup>21</sup>

As far as operations were concerned drillings had to be shifted near Shushtar where there were oil seepages. Drillings went on for almost two years at different sites without much success. In 1905, D'Arcy was 55 years old and concerned about his health. He had depleted his own financial resources, had a large overdraft at Lloyds Bank in London and was about to place the concession itself with the bank as surety for further overdrawing but since the bank was reluctant to assist, he decided to sell the concession to foreigners. The Admiralty, in an attempt to avoid

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<sup>20</sup> McBeth, pp 3.

<sup>21</sup> There are a number of stories as to how D'Arcy's agent, Ketabchi Khan, managed to secure the grant of the concession. According to Elwell-Sutton, Ketabchi Khan paid 10,000 pounds to Aminos-Soltan, the Prime Minister. Aminos-Soltan had turned Russophobe but managed to keep the Russian Legation unaware by sending them a note in so crabbed a hand (known in Iran as Shekasteh script) that the Embassy's clerk could not read it (Persian Oil, pp 14). Stocking, pp 9. BP H 15/117, pp 185, 13 July 1903.

foreign intervention, intervened by asking Burma Oil Company to assist.<sup>22</sup>

The British authorities had considered oil independence vital for the future of the British industries. However, the search for oil in large quantities in Iran had been unsuccessful for the past 25 years and Burma had to be convinced about the prospect of oil discovery in large quantities. The interventions by Lord Strathcona and promising reports by geologists eventually convinced the Directors of Burma and on 5 May 1905, Concessions Syndicate Ltd, was formed in London. D'Arcy maintained his concession and if oil was discovered, Burma would form a subsidiary with 2,000,000 pound capital. The Syndicate itself was a subsidiary of Burma with a capital of 100,000 pound in which 95 per cent of shares belonged to Burma. The Syndicate owned the First Exploitation Co as well.

After the unsuccessful drillings in Chah Sorkh and Qasre-Shirin, the Exploitation Company decided to move to the province of Khuzestan. The operation started in 1905 in the area of Meidan-Naftun (later on Masjed-Soleyman), where the existence of petroleum was evident as rock was saturated with oil. It soon became clear that without cooperation of the Khans<sup>23</sup> drillings were impossible. Ketabchi had already suggested that the operation should have started in Shushtar where he could secure the cooperation of locals through his relationship with the local Mojtahed.<sup>24</sup> In 1905, the desire for a Constitutional Government in Iran had intensified and the local Bakhtiaris would not recognise the Shah's authority. The Syndicate neither had the political experience nor knowledge of Iran to deal with this problem. D'Arcy requested political assistance and with the permission of the Foreign Office, J R Preece, British Consul-General in Esfahan, who was home

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<sup>22</sup> Elwell-Sutton, *Persian Oil*, pp 16.

<sup>23</sup> Khan here means feudal. Khan can also be used for respect as in Khalil Khan.

<sup>24</sup> chief mollah.

on leave, was advised to assist when he returned to Iran. Preece negotiated with khans on his return and made an agreement to offer them 3 per cent shares of all companies working in their area. The agreement with the khans is relevant to this study for later on, both the central government and the khans themselves denounced it, but the oil company carried on with the 3 per cent payments until 1924 when the Iranian Government finally denounced the agreement.<sup>25</sup>

It is also relevant to study this agreement to find out who was responsible for the payment of compensation to the company's property in Bakhtiari area. Another relevance of Bakhtiaris to this study is their political role in the Constitutional Movement which resulted in the occupation of Tehran and the premiership of their Ilkhan, Sam-Samos-Saltaneh in 1909. The main points of the agreement were the appointment of guards by khans, at Company's expense, whose role was to protect staff as well as property and the payment of compensation by khans in case of robbery or damage to property. The Iranian Government had declined to pay any compensation. This was in view of their bad experience with Regie Corporation in 1891 when they had to borrow 500,000 pounds to pay to the Corporation.

However, in January 1906, the Iranian Government denounced the agreement with Khans. The signing of this agreement is an obvious evidence of the weakness of the central government for one can clearly see that firstly there is no mention of the central government in this agreement, and secondly, a foreign government negotiated and signed an agreement with the subjects of another government without the knowledge or consent of that government. The khans themselves soon realised that they should not have signed the agreement. In May 1906, Sardar-

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<sup>25</sup> Elwell-Sutton, *Persian Oil*, pp 17.

Asad, claimed that khans were tribesmen and unacquainted with business matters and that the agreement was only signed out of respect for the British General-Consul ! The influence of the British Government in Iran was not restricted to politics only. At the end of 1907, the Indian Government. dispatched a detachment of soldiers to Shushtar area to protect the drillers. The mission was formally to guard the British Consulate in Ahwaz. Troops were again dispatched to the province of Khuzestan some 40 years later during the riots and strikes of July 1946 which were provoked by the Tudeh Party.<sup>26</sup>

In reviewing the events of the early years of the oil search by D'Arcy, it is surprising to learn that the parties entered into disputes over almost every thing. Under the Article 4 of the concession, the concessionaire was to pay 2000 Tomans (500 pound) on a yearly basis to compensate for the revenue of the three existing petroleum mines in 1901. By 1909, the concessionaire was eight years in arrears. When the Iranian Government demanded the payment, the concessionaire refused by disputing that Iran never had any revenue from oil mines and that Article 4 was invalid. In January 1911, the oil company eventually agreed to pay 2000 pounds in settlement of the arrears and undertook to maintain payments.

Between 1909 and 1917 Iran went through turmoil. The new constitutional Government was under Russian pressure to close down the Majles. The Majles was eventually closed down in 1911 to reopen in 1917 but the Iranian Government pursued the payment of the oil revenues although the oil company's policy was to pay in arrears. The agreement of 1920 was made in conclusion of the negotiations which had started in 1917. This was the first serious dispute between the Iranian Government and the Oil Company. As mentioned earlier, Iranians had failed to

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<sup>26</sup> Lencowzski, *Russia and ...* , pp 303.

understand the consequences of granting oil concessions and this had been reflected in the draft of the concession. According to the Article 10, for instance, Iran was entitled to 16 per cent net profit of any company to work the concession, but it was not clear whether the article would cover companies operating outside Iran as well.

Another problem arose out of the fear of the Iranians of having to pay compensation for damages to the property. In 1891, over the monopoly of tobacco to the Regie Corporation, the Iranian Government had to borrow 500,000 pounds to pay for compensation for cancellation of the concession due to the public non-cooperation.<sup>27</sup> The money was borrowed from the British-owned Imperial Bank at the rate of 6 per cent for 40 years secured on Iranian Customs at Persian Gulf! As commented by Edward Browne "*all this for the enrichment of few greedy English speculators and a handful of traitorous Persian courtiers*".<sup>28</sup> It appeared that Article 14 had been drafted to exempt Iran from paying compensation for damages. Nevertheless Iran was still under obligation to protect the Company's property.

In 1915 and during the First World War, some disgruntled Bakhtiari Khans damaged pipelines in their area encouraged to do so by German and Ottomani agents. Some 144,000 tons of oil was lost and the production was interrupted for five months. Under the 1905 Agreement with Khans, the Khans were obliged to pay compensation, but now the company held the central government responsible and refused to pay royalties.

In March 1917, Iran formally requested arbitration under the Article 17 of the

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<sup>27</sup> Elwell-Sutton, *Persian Oil*, pp 55.

<sup>28</sup> Browne, *Persian Revolution*, pp 57.

concession and it is interesting to notice that some two months later, the British Ambassador and not the oil company replied that they would submit to arbitration on the condition that only the amount of payment would be considered and not the Company's right to damages or to withholding royalty payments. The arbitration never took place and in 1919, Britain and the new Iranian Government signed a treaty which would turn Iran into a British Protectorate. This treaty was rejected by the Majles in February 1921, but some of its provisions were put into effect such as the employment of foreign financial advisers.

In 1919, the Shah left for Europe accompanied by his Foreign Minister who in London decided to discuss the issue with the company. After original meetings, the Iranian Foreign Minister invited Sydney Armitage-Smith, the Assistant Secretary of the British Treasury, as financial adviser to the government under the 1919 Anglo-Persian Treaty. He suggested that an accountant should be invited to look into the Company's records. The amount of the dispute was originally 614,489 pounds. The accountant commissioned by the Iranian Government, W McLintock, estimated the amount not to be more than 20,000 pounds. Not surprisingly, the Company's Report of the Directors and Balance Sheets in 1916, showed the loss as 160,000 pounds !

McLintock commented that the damage had been done by British enemies while the pipeline was being used for the British Navy. Furthermore, the delay in production, as the Company's chairman stated at the annual meeting in December 1915, was because "*Nearly the whole of the craft ... normally available on the River Karun .... has been requisitioned for the purposes of the military operations on the Tigris*" and had nothing to do with Iran.<sup>29</sup>

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<sup>29</sup> BP H 16/161, McLintock to APOC, 23 December 1919.



The interesting point to notice is the impartiality of the English accountant who also commented that in the original concession, there was nothing to stop the Iranian Government sharing the net profit of all subsidiaries of the Anglo-Persian Oil Company. It was he who discovered errors and irregularities of accounting which had resulted in underpayment of royalties. The company's accountants, however, rejected McLintock's opinion by saying that nearly every article of the concession spoke about the boundaries of the Iranian territory ! If Iran could share the profit of subsidiaries, they had to share the losses too !<sup>30</sup>

This dispute ended when the claim for damages was dropped and the company agreed not to deduct 3 per cent profit for Khans from the government royalties. This agreement, known as Armitage-Smith Agreement, was rejected by the Iranian Government in 1928 but the company respected it until 1932. The Iranian Government claimed that Armitage-Smith had no authority to negotiate because neither the Anglo-Persian treaty of 1919 nor this agreement had ever been approved by the Majles.

In 1916, Akiki Khoshtaria obtained a concession which had been granted to Sepahdar-Azam in 1896 to cover the North. This concession was unsuccessfully offered to D'Arcy in 1906 and to the Anglo-Persian Oil Company in 1909. The company refused to obtain the concession because in their view the North "*would be locked off by us from the Persian Gulf.*"<sup>31</sup> However, after the 1917 Bolshevik Revolution, both the Soviet and the Iranian Governments pronounced the concession invalid but their decision was not made public. Despite this, the Anglo-Persian Oil Company obtained from Khoshtaria his concession for 100,000 pounds and on

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<sup>30</sup> BP H 16/161, 30 March 1920.

<sup>31</sup> BP H 10/80, Memorandum on the North Persian Oil Company, pp 3-4.

20 May 1920, formed a subsidiary, North Persian Oils Company Ltd, with 3,000,000 pounds capital, but the Iranian Government refused to recognise the company.

At the same time certain American companies showed interest in searching for oil in the North. Despite enormous pressure by the British Government as well as representations to the U.S. Department of State to discourage American companies, the Majles eventually announced the concession invalid and voted unanimously to offer the Standard Oil Company of New Jersey (later on Exxon) a concession to cover the North. This was a serious blow to British influence in Iran for the reason that if cancellation of concessions was so easy, then the D'Arcy concession itself would be at risk ! The Anglo-Persian Oil Company also emphasised that the only way to transport oil to a sea port was across southern Iran for which Anglo-Persian had the exclusive rights.

In 1924, the Anglo-Persian Oil Company entered into another dispute. The Iranian Government had confirmed the old concession of 1878 in the names of two Iranians.<sup>32</sup> which would only cover the Semnan area about 60 miles east of Tehran. The Oil Company protested that Semnan was not included in the Northern provinces and that the concession was invalid. The Iranian Government, however, rejected the protest on the basis that in 1901, Semnan was a part of the five Northern provinces and was, therefore, outside the area covered by D'Arcy's concession.

The fear of Oil Company proved to be true for in 1925, an Iranian corporation, Kavir-Khurian Company acquired 25 per cent rights of the concession and the Soviet Government did what the British Government did in 1914. They acquired 65 per cent shares in the company but operations were stopped after sinking two

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<sup>32</sup> They were Abdol-Hosein Amin-Madan and Ali Akbar Sotudeh.

oil wells. This became another source of dispute for the Iranian Government. Only 5 days after the Anglo-Soviet invasion of 1941, Moscow demanded that Iran should facilitate developing oil resources of Semnan.<sup>33</sup> They renewed their demand once again when Kavtaradze, deputy Soviet Foreign Minister, arrived in 1944 to negotiate an oil concession in the North which was under the Soviet occupation.

The rejection of the 1920 Agreement by the Iranian Government and their repeated complaints, since 1924, about inadequacy of royalties, was compounded with another problem in 1930. In this year, income tax law was passed by the Majles and the oil company was requested to conform. The company declined by arguing that under the Article 7 of the original concession, they were exempted from paying taxes. In the concession there was no mention of paying income taxes but the concessionaire had been exempt from import and export taxes.<sup>34</sup> This dispute was rejected by the Iranian Government on the basis that the Article 7 only covered custom duties and not the income. At the same time the oil company was paying income taxes to the British Government. The Iranian Government had been disappointed by the Company's attitude and by the fact that the Iranian Officials had been denied access to the company accounts and books.

## 2.3 Characters Involved

To understand why D'Arcy was successful in obtaining the oil concession, finding oil and obtaining political backing, one has to first investigate his character and that of the string of individuals involved. William Knox D'Arcy should certainly be known as the luckiest man in the history of oil concessions in Iran. This is not only because he managed to obtain a favourable oil concession, but because he

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<sup>33</sup> Lencowzsky, *Russia and ...* , pp 170.

<sup>34</sup> See Appendix A

obtained it at a time when British Government was seeking oil independence and was prepared to offer assistance to British capitalists who were searching for oil. The conversion of coal-fuelled to oil-fuelled ships had been suggested as early as 1882 when John Fisher, Captain of Admiralty stated that general adoption of oil instead of coal would immediately increase fighting capacity of every fleet at 50 per cent, but political interest in Iranian oil dates back to 1890 when, Sir Henry submitted a report to Lord Salisbury, claiming that Russian oil fields were getting exhausted, whereas the *virgin* oil fields of Iran promised a good future.<sup>35</sup> The unique political position of Britain in the South West of Iran provided the best opportunity for D'Arcy to operate in that area without much trouble. It is true that some thirty years before a much more favourable concession had been granted to another British subject, de Reuter, but due to the lack of a proper oil policy, de Reuter did not receive sufficient backing.

D'Arcy, on the other hand, received substantial financial as well as political and military assistance. The speculative nature of D'Arcy also played its own role. Ketabchi Khan had already approached Russian and French capitalists, without success, asking for only 15,000 pounds for his oil concession. The following comments made by Serkis Golbenkian is of interest *"I submitted this business to my friend Lane, also I believe to Deterding, but we all thought it was a wild cat scheme and it looked so speculative that we thought it was a business for a gambler and not at all for our trio"*.<sup>36</sup> It was D'Arcy who was prepared to risk 250,000 pounds of his own money, an enormous sum for an individual, in a country in which there was no proper road for transportation, not much commercial morality or security.

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<sup>35</sup> This was a misleading report. Baku oil fields peaked in 1901 and more oil was discovered in Grozny and Maikop.

<sup>36</sup> Hewins, pp 67.

By the early 1900's, the importance of oil for Britain had been well recognised by both the oilmen and the politicians. Iran was weak and Britain was in a unique political position to acquire the concession, an interested investor was needed and a string of individuals to assist. The most important of all characters is D'Arcy himself whose daresness, enthusiasm and courage in obtaining and working the concession to the point of bankruptcy, was of paramount importance.

Born in Newton Abbot in 1849, D'Arcy emigrated to Queensland, Australia, with his father at the age of seventeen and likewise became a solicitor. Considered locally as an enterprising youngman who had a good head for business, he helped Thomas and Edwin Morgan in 1882, to set up Mount Morgan Gold Mining Company in which he had a substantial share. By 1886, the 1 pound share was worth 17 pounds. D'Arcy was a rich man when he returned to England in 1889. It is wrong of Golbenkian to call D'Arcy a gambler or wildcatter. It is true that D'Arcy never set foot in Iran but he had experience of gold mining and did not sign the concession until he received the results of the geological survey.<sup>37</sup> He was cautious enough to ask for Ketabchi Khan's concession to be re-drafted for better terms such as exclusive right of pipelaying.

The literature review also indicates that the role played by Ketabchi Khan and his three sons in obtaining the concession and assisting drilling groups was of paramount importance to British oil interests. The reluctance of Iranian moslems to deal closely with European non-moslems, had created an opportunity for religious minorities to involve themselves in foreign trade in which Armenians had the largest part to play. Their knowledge of European trade had been handed down throughout generations. It is with this knowledge that Ketabchi Khan assisted De

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<sup>37</sup> Elwell-Sutton, *Oil Diplomacy*, pp 14.

Reuter in 1872 to obtain his concession and it is because of his capability of dealing with Europeans that he became a close confidant of the Iranian Prime Minister, Amin-os-Soltan. His role in foreign trade became so important that Sir Henry commented that the European element of the Iranian Government was represented by Ketabchi Khan "*for he was well versed with Western matters*".<sup>38</sup> This explains why Ketabchi Khan accompanied the Shah on his trip to England in 1890.

The efforts of Ketabchi Khan in securing the concession were remarkable. He made the best of his knowledge of influential politicians and their intrigues with foreign legations. It was he who informed the British Ambassador in Tehran about Russia's plan to lay pipeline from Baku to the Persian Gulf which explains why exclusive right of pipe laying was given to D'Arcy. The comments made by Sir Arthur Hardinge, the British Ambassador in Tehran, best describes Ketabchi Khan's efforts to secure the grant of the concession. Hardinge wrote "*He (Ketabchi) secured in a very thorough manner the support of all the Shah's principle ministers, .... not even forgetting the personal servant who brings His Majesty his pipe and morning coffee*".<sup>39</sup> The British also did well to reward him. Article 11 of the concession regarding the appointment of the Imperial Commissioner, with a salary of 1000 pounds a year, appears to have been drafted for Ketabchi Khan himself !

Once the concession was granted, Ketabchi Khan's assistance was vital to start the original drillings. His knowledge of Iran was more political than geological. From the very beginning, he insisted on drillings in Shushtar rather than Qasre-Shirin. He had contacts with the local Mojtabeh and knew very well that without the cooperation of locals, drilling team would not be able to carry on.

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<sup>38</sup> Wolf, pp 329.

<sup>39</sup> PRO FO 60/640, Hardinge to Lansdowne, 12 May 1901.

Ketabchi Khan died in 1902 and D'Arcy, in extending his sympathies, wrote to his son Vincent *"I have lost a kind and sincere friend and a valuable and able colleague"*.<sup>40</sup> His sons continued playing their own part. The youngest one Edward was with the first drilling team operating 100 miles north of Baghdad. Paul, the second son, was D'Arcy's representative in Tehran and agent to the Concessions Syndicate until 1907. The eldest son, Vincent, worked in London as the Imperial Commissioner and was involved in the financial affairs of the Syndicate.<sup>41</sup>

Technical assistance was mainly provided by G B Reynolds. A graduate of the Royal Indian Engineering College, he had acquired experience of oil search in the oil fields of Sumatra. He worked in Iran for several years searching for oil and moving from place to place. He set up camps, employed local labourers and supervised drillings. Despite hot summer when temperature rose to 120 F and muddy winters of the south-west of Iran, he worked hard to the point of exhaustion. The tribal chiefs were constantly engaged in petty feuds and local disturbances were frequent. On his return from home leave in February 1904, he found travelling dangerous because of feuding between two local tribes of Sagwand and Daraghwand. His being a competent horseman and a loner may have helped him last so long in Iran. He struck oil in May 1908.<sup>42</sup>

The next important actor involved was the Shah who granted the concession. Mozafar-eddin Shah has been known in Iranian history as a man of weak personal-

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<sup>40</sup> BP H 15/117, pp 166, D'Arcy to Vincent Ketabchi, 23 December 1902.

<sup>41</sup> In Iranian writings, Ketabchi Khan has been mentioned as a broker. In western writings, however, he is even known as General Ketabchi Khan, Director General of the Iranian Customs at Paris Exposition in 1900 !

<sup>42</sup> Wilson has given an account of his difficulties in Iran. The early chairmen of the oil company also played a prominent role in the company's progress. An example is Lord Starchona. An extraordinary man of 89 years old, he invested 1,000,000 pound of his own money in the oil company. He was hard working and died in office at the age of 94 shortly before the outbreak of the First World War.

ity and low intelligence. He was a crown prince for 43 years until the assassination of his father and had lived almost the entire 43 years away from his father's court. It was common in those days to appoint the crown prince as the governor of the North West province of Azarbayjan. During this long period of absence from the capital, he grew up and lived in an entirely different atmosphere created by a tiny number of individuals holding Royal titles and clustered around him who were in a position to easily influence him. He had no technical talent nor any political confidence to tackle political problems. There are even stories about his superstitious character, and it has been reported that at the time of thunder, he hid under the gown of his trusted molla!<sup>43</sup>

Like his father, he made three trips to Europe and was impressed with Western technical advances but likewise failed to understand the significance and political consequences of this for the Middle East. However, it is not right to hold him as solely accountable for what went wrong. His father who was a much stronger monarch had offered a better concession to de Reuter in 1872. Iran was riddled with political intrigues and he was only a weak king. Furthermore, there was not much prospect for oil discovery in Iran either. Oil in exportable quantities had not been found in Iran for the past 25 years and only 2 years before, the mineral rights on the de Reuter's second concession had lapsed without success. There was no guarantee that D'Arcy's concession would be worth the paper it was written on.

The oil industry owed its early success to Sheikh Khazal, the chief of many Arab tribes of Bani Lam and Bani Kab who had emigrated from Najd to Khuzestan during the Seventeenth and Eighteenth centuries. After 1788, over 17,000 families

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<sup>43</sup> More on Mozafar-eddin Shah's character can be found in Browne, *Persian Revolution*, pp 98. Also, in *Nimruz*, Autumn issues, 1376 (1997).



of Bani Lam migrated to Iran.<sup>44</sup> Khazal was a brutal man who had reportedly murdered his brother, Sheikh Mazal on 2 June 1897, in order to succeed him.<sup>45</sup> Being originally an Arab, Khazal was unable to identify himself as an Iranian and for the same reason, he could not turn to Ottomani Empire either. He had no choice except to turn to the British Empire which was in an unchallenged position in the Persian Gulf. Britain had signed several truces with Arab Shiekhs of the Arabia peninsula and was in a unique position in Khuzestan, the South West of Iran. The Iranian central Government was aware of Kazal's intentions but, because of political weakness, had no choice except to appoint him as the Governor of Mohamareh in 1898, otherwise he would have declared independence. Khazal remained in power until 1924 when he surrendered to Reza Khan and spent the rest of his life under house arrest in Tehran. He was never allowed to leave Iran even for medical treatment. He lost the sight of one eye with the other one's vision greatly impaired. He died on 30 May 1936 alone at the age of 75.

Khazal was practically in charge of the province of Khuzestan and was known as the Sheikh of Mohamareh when Sir Percy Cox negotiated with him on behalf of the company. Britain had already penetrated Khuzestan through projects such as Karun irrigation scheme. The oil wells were producing in Meidan Naftun and Khazal agreed to offer the company 1 Sq mile land in the island of Abadan for the construction of a refinery in return for an annual rent of 650 pounds for 10 years in advance. The British Government, in return, guaranteed the autonomous right of Khazal and his successors to Mohamareh. He was to receive another bonus, a 10,000 pounds loan from the oil Company ! This happened at a time when the 500 pounds a year royalties to the Iranian Government had not been paid yet !

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<sup>44</sup> Cottrell, pp 37.

<sup>45</sup> McDouall to Fagan, Mohamarah, 4 June 1897, FO 640/1.

Indeed it was this type of interferences in the Iranian affairs which gave rise to the extreme nationalism of 1940's and nationalisation of the oil industry.<sup>46</sup>

In 1916, Sepahdar disposed his concession of 1891 to Khoshtaria, a Russian subject. This Concession was for seventy years to cover the Northern provinces of Gilan, Mazandaran and Estarabad. In 1919, the Anglo-Persian Treaty provoked violent opposition by the nationalists. The parliament had no fear of granting concessions to Americans, although the concession area could only cover the North of Iran for D'Arcy had exclusive right outside the north. The Majles adopted a new policy of finding a rival for the Anglo-Persian Oil company. On 22 November 1921, the Majles voted unanimously to grant the Standard Oil of New Jersey a 50 year concession for the return of 15 per cent gross profit. The interesting point to notice is the insertion of gross profit instead of net profit, an indication that by this time, Iranian politicians had realised the deficiencies of the D'Arcy's concession.

In 1922 another American company, Sinclair, was granted a concession for 40 to 50 years in 4 out of the 5 northern provinces hoping that the company would be able to transport oil to the Black Sea via Caucasus as they had the agency to sell Soviet oil as well as a concession to exploit oil in Sakhalin but a murder in Tehran of an American Colonel Imbrey, made the company think twice and they eventually dropped the concession. The fifth province, Gilan, was left open so that Soviets could entertain their hope of obtaining a concession there.<sup>47</sup>

The Sinclair's concession was granted to foil a joint attempt by the Standard Oil and Anglo-Persian Oil Company to share the north of Iran. The Anglo-

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<sup>46</sup> Khuzestan received pan-Arab attention after Naser's victory in Egypt. The attempt to change the name of Persian Gulf began then.

<sup>47</sup> This is another example of how Iranian statesmen had to use one foreign power against another.

Persian Oil Company had obtained, in 1920, Khoshtaria's concession for 100,000 pounds and formed a subsidiary, but the Iranian government always maintained that Khoshtaria's concession had never been ratified. The same faith was awaiting Frenchs who obtained the oil concession of 1927. They had to drop the concession for the reason that even if oil had been discovered, it would have cost a fortune to carry it to the sea by truck for D'Arcy had exclusive right of pipe laying.

In pursuance of their policy of reducing British influence, Iranian Government decided to set up an Iranian oil company. In 1925, Iran formed a company, Kavir-Khurian, with a capital of 50,000,000 Rials<sup>48</sup> divided into 100,000 shares and obtained 25 per cent rights of Amin-Madan's concession of 1878. This concession had been re-confirmed by the Government in 1924. Khoshtaria, purchased 65 per cent stock in the company for the benefit of the Soviet Union. Two wells were drilled but no oil was found.

The activities in the north were revived in 1930 when *Societe Franco-Persane de Recherches* was formed with 10,000,000 francs capital, but ceased operation after 1932. The main reason for the failure was the cost of pipelaying, high production of Arab countries and political instability of late 1930's. Another American company which managed to obtain a concession is reported to be Amiranian, a subsidiary of the Seaboard Oil Company of Delaware in 1937, but concession was abandoned by the company itself in 1938. The Standard Oil of New Jersey tried again in 1939, but Iran gave up negotiations in 1940 under the Soviet pressure. The difficulties faced the companies operating in the North could be seen again when a Dutch company which was granted a concession in 1939 lost it in 1944 because of non-performance.

The oil company officials refused to allow Iran to examine their books. Reza

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<sup>48</sup> The exchange rate for pound was 40 Rials.

Shah was annoyed at the Company's stubbornness and had practically shown his anger. In his journey to the province of Khuzestan in 1932 when he was travelling between Abadan and Ahwaz, he sat with his back to the oil installations. and on his return to Tehran, he shocked the ministers in a cabinet meeting when he threw the oil file into the fire place, an incident which resulted in the cancellation of the concession in November 1932. The case was taken to the League of Nations which eventually suggested that parties should negotiate. The negotiations resulted in the Agreement of 29 April 1933 which consisted of 37 articles.<sup>49</sup> The new agreement was actually the subject of criticisms by Mosaddegh in 1940's when he accused Reza Shah of being on the British side, arguing that if he had the power to cancel the concession, why did he renew it ? He believed that Reza Shah acted on British instructions by throwing the oil documents into the fire so that no trace of it could be found and a new concession had to be drafted !

According to Mosaddegh, the first role was played by the Shah by cancelling the concession. The second was played by the oil company by reducing Iran's 1971 royalties by 25 per cent which angered the Shah. The third role was played by the Shah who destroyed the oil file and the fourth by Dr Benes, the Czeck Foreign Minister, who suggested that the case should be taken to the League of Nations so that a new concession could be drafted, and the last role was played by Taghi-zade, the Iranian Finance Minister, who fearing public anger, did not publish the new concession so that it could be passed by the Majles in one sitting.

This allegation is typical of Mosaddegh's way of thinking. Reza Shah could

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<sup>49</sup> Britain was informed that cancellation was based on the following facts ; obtaining the concession by deception, dishonest calculation of royalties, denying Iranians access to company books, non-payment of royalties between 1909 and 1920, extravagance of company outside Iran was not conducive to Iranian interests, company's refusal to pay income tax. high price of oil in Iran, company's failure to exploit Iranian oil outside Khuzestan, company's non-compliance with the terms of the original concession.

not have been such an obedient agent for he turned to Nazi Germany in 1936.<sup>50</sup> The correspondence between the Iranian Government and the company regarding a new concession had actually begun in 1929 and the reduction in Iran's revenue was due to the financial difficulties of 1930's for Western Europe was suffering from an economic recession in the late 1920's and the stock market crash of October 1929. The proposal to allow two parties to negotiate was nothing new. Iran had a long history of appeal to the International bodies. The League of Nations had made the same proposals to Iran and the Soviet Union in 1920 to negotiate their differences over Soviet occupation of Gilan.<sup>51</sup> Mosaddegh must have exaggerated to provoke sentiment against the oil company.

However, once the agreement of 1933 was signed, the area of oil exploration by the Anglo-Persian Oil Company was reduced to 100,000 Sq miles at the Company's desecration and the company had no choice except to choose the province of Khuzestan for the bulk of the oil industry had been established there. The oil company no longer had exclusive right of pipe laying outside this area and the Iranian Government was at liberty to grant new concessions outside their area, but one has to remember that the government still had to consider opposition from Moscow in view of Soviet sensitivity to granting concessions in the North.<sup>52</sup>

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<sup>50</sup> For details see Chapter 4.

<sup>51</sup> Elwell-Sutton, *Persian Oil*, pp 220.

<sup>52</sup> The main differences between this agreement and that of D'Arcy were as follows; reduction of area from 500,000 to 100,000 square miles, non-exclusive right to refine, non-exclusive right of pipe laying, precise defining of procedures to obtain land, exploitation of Naft-Shah field near Kermanshah, increase of revenues to 4 shillings per ton plus 20 per cent of distribution to ordinary share holders of Anglo-Persian Oil Company in excess of 671,250 pounds, government's right to check the returns on the production of oil, complete exemption from taxation for the first 30 years of its operation in Iran on certain conditions, annual grant of 10,000 pounds for training Iranian students in Britain, concession could not be annulled in future.

## 2.4 Oil Concessions

The history of oil concessions in Iran granted before the Constitutional Movement of 1906, is the story of political weakness of Qajar statesmen and the skillfulness of a group of Western concession-hunters who knew how to take advantage of the situation to achieve their well-calculated demands. This is best reflected in the first oil concession of 25 July 1872 granted to a British-naturalised German, Baron Julius de Reuter,<sup>53</sup> giving him exclusive right to explore all mines in Iran except gold, silver and precious stones for a period of 70 years. It was granted thirteen years after the first discovery of oil in Tituseville, Pennsylvania, and at a time when the American oil industry was growing fast. Lord Curzon, known at his time as an expert in Iranian politics, has commented on this concession.<sup>54</sup>

This concession was cancelled a year later under Russian as well as internal pressure by religious factions compounded with the non-performance of the concession itself, but the failure, on the Iranian side, to understand the consequences of what was being granted to Westerners can be seen from all concessions granted up to the Constitutional Movement of 1906. An obvious example of this is the mentioning of "*net profit*" instead of "*gross profit*" in D'Arcy's concession which enabled the company to deduct income tax paid to the British government. As a result, as was pointed out earlier, taxes paid to British government in the four years preceding nationalisation exceeded the Iranian revenue in fifty years!<sup>55</sup> Another example, which will be discussed later on, is the failure of Iranians to equate the amount of 20,000 pounds paid in shares against any percentage ownership of

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<sup>53</sup> Also known as von Reuter, the founder of the Reuter Press Agency.

<sup>54</sup> Persia and Persian Question, pp 48. When published to the world, it was found to contain the most complete and extraordinary surrender of the entire industrial resources of a Kingdom into foreign hands that has probably ever been dreamt of, much less accomplished in history.

<sup>55</sup> Moghari, pp 78.

future companies to work the same concession. It will also be discussed how the oil company managed to sell oil at low prices to the British Navy and the Air Force at a discount of 55 to 90 per cent to lower net profit.

Concessions were continued to be granted to a variety of nationalities. In 1878, Amin-madan, an Iranian national obtained a concession to look for oil in Semnan area. The search was unsuccessful but this concession became subject of a long dispute because his descendants did not register it in their names. The dispute was eventually resolved in 1924 when the Iranian Government confirmed the concession. Oil concessions were occasionally granted for a small area. In 1884, M Hotz a Dutch national resident in Bushehr, acquired an oil concession in the area of Daleki, where as mentioned before, there was already an oil seepage. One shallow well was drilled without any results.

Britain had refused to recognise the cancellation of De Reuter's first concession of 1872 which encouraged De Reuter, despite his involvement with his News Agency, to obtain a second concession in 1889 for exploring petroleum as well as banking.<sup>56</sup> The amount of 40,000 pounds deposit in addition to 16 per cent net profit seems to have encouraged the Shah who needed money for his third trip to Europe. The Imperial Bank was formed and in 1890, Persian Bank Mining Rights Corporation was organised and obtained a right to search for oil through this concession. As no scientific method of locating oil deposits was known, the Corporation had to search for oil by drilling near existing oil ponds around Daleki near Bushehr between 1891 and 1893.

In 1899, the mineral rights lapsed and the Corporation itself was liquidated in

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<sup>56</sup> Elwell-Sutton, *Persian Oil*, pp 12.

1901.<sup>57</sup> In 1894, D.W. Torrence, an American national, was granted a concession for sinking artesian wells for certain minerals and oil privileges for 25 years, but he forfeited it after a year because of non-compliance. Iranian nationals also took an interest in oil discovery. In January 1891, Sepahdar-Azam was granted a concession for the province of Mazandaran only. In 1896, Russo-Persian Naphta Company won a restricted oil right through this concession.<sup>58</sup> In 1916, Sepahdar disposed of his rights to Khoshtaria, a Russian subject of doubtful Iranian nationality, but this concession was never ratified and became subject of a long dispute. In 1894, Khalatbary, this time a real Iranian subject, obtained an oil concession with no success. Governor-General of the province of Gilan has also been reported to have had a concession to drill near Caspian Sea in 1900.<sup>59</sup>

However, it is not right to assume that all foreign investors were keen on Iranian petroleum. British-educated Arminian, Serkis Golbenkian, a figure in Baku oil industry and involved in Ottomani oil affairs, declined to take up a concession in Iran.<sup>60</sup> Years later he commented that *"between 1895 and 1900, the concession which afterwards came into the possession of the Anglo-Persian Oil Company, was a drag in the market"*.<sup>61</sup> Golbenkian (1896-1955) was one of the well-known oil experts of this century. He established Turkish Petroleum Company (TPC) which developed into an international business. After the conclusion of the First World War and under the Sam Remo Oil Convention of 1920, the 25 per cent German share in TPC was given to France. Anglo-Persian Oil Company received 50 per cent and Anglo-Saxon Oil Company (Royal Dutch-Shell) 25 per cent. Anglo-Persian

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<sup>57</sup> Ibid, pp 13.

<sup>58</sup> Ibid, pp 36.

<sup>59</sup> For a brief history of oil concessions in Iran see Nahai and Kimbell.

<sup>60</sup> Ferrier, pp 29.

<sup>61</sup> BP H 17/1, Memoirs of Golbenkian, 16 September 1945.



and Anglo-Saxon each gave up 2.5 per cent in favour of Golbenkian with voting power as he had established the company. He became known as Mr Five per cent.

Mr Five per cent or Mystery Millionaire, as he did not like fame, was the Iranian Honorary Commercial Attache at the Iranian Embassy for many years. He acquired British citizenship but whilst residing in Vichy France, in 1940, he was declared "An Enemy Under the Act" and his five per cent was confiscated by the Custodian for Enemy Property. He assumed Iranian citizenship and moved to Portugal which had access to America. He remained there until his death.<sup>62</sup>

Returning to granting concessions, no more oil concessions are reported to have been granted by the Shah until 1906 when Constitutionalism became official. Between 1906 and 1909, Iran went through political turmoil, and there was no time for granting concessions. Mozafar-eddin Shah who granted Constitutionalism died in 1907 but his son, the new Shah, did not agree with Constitutionalism and with the cooperation of the Russian Cossacks closed the Majles down. His reign, however, did not last long. He was deposed in 1909. Indeed, had concessions been granted, they would not have been recognised by the future governments. After the re-establishment of the Constitutional Government, Majles which was willing to grant oil concessions to American companies to involve a third party into the rivalry between Russia and Britain, but governments lasted only for a short time and Iran had no Majles for six years between 1911 and 1917.<sup>63</sup>

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<sup>62</sup> Hewins, pp xii.

<sup>63</sup> For details of oil concessions see Elwell-Sutton, *Persian Oil*. Stocking, *Middle East Oil History*. Shwadran, *Middle East, Oil and Great Powers* and Hamilton, *American and Oil in the Middle East*.

## .5 Economy and Oil Revenues

The oil revenues became vital for Iran once modernisation started after 1925. The first official payment to the Iranian Government was a sum of 20,000 pounds in cash. A further 20,000 pounds in shares was to be paid upon the formation of the First Exploitation Company. Other payments such as a sum of 2000 Tomans a year but this was never paid until 1909. Up to 1919, payments were always in arrears and subject to dispute and it is true to say that they had, with exception of local employment and expenditure, no effect on the Iranian economy for very little royalties reached the Iranian treasury.<sup>64</sup>

In 1920 and after interventions by Armitage-Smith, the Anglo-Persian Oil Company paid 1,000,000 pounds to the government which was spent on debt repayments and salaries<sup>65</sup> and by 1926 another 5,000,000 pounds had been paid. Iran's revenues increased significantly during the reign of Reza Shah (1925-1941) and reached 35,000,000 pounds and for the first time they were allocated to the National Reserve Account, the Army , ordinary expenses and backing the new notes. During this period the only project to require capital was construction of the 865-mile Trans-Iranian Railway which was partly financed by the revenues. It took seven years to build and cost 40,000,000 pounds. During the war the revenues increased again as the production had shot up and Iran received 20,000,000 pounds, but it was only after the war when the Government invested the payments in economic improvement.

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<sup>64</sup> An interesting account of the Iranian economy in the early 1910's has been given by Jamal-zadeh in 1918 in Ganje Shaigan. His book was not re-printed for 64 years. an indication of the Iranian's lack interest in literature.

<sup>65</sup> NIOC, pp 5. National Iranian Oil Company (NIOC) was a government agency organised in 1947 to hold petroleum rights outside area covered by the Anglo-Iranian Oil Company (Hamilton, pp 259)

The Second World War changed the economic situation completely. Since the occupation in 1941 inflation existed in Iran. The cost of living was rising before the occupation. The occupation, however, worsened the situation. The Allies had to convert currency for their domestic use. Nafisi, legal adviser to the Oil Company pressed the Iranian Finance Minister to raise the Sterling exchange rate from 68 Rials to 90 Rials ! When Nafisi was appointed Finance Minister, he raised the exchange rate to 140 Rials. Iranian merchants now had to pay more to import foreign goods. This was compounded with a decrease in domestic production and the activities of racketeers.<sup>66</sup> Only between July 1946 and August 1949 cost of living rose 36 per cent. Iran needed economic aid. In 1946, Ambassador Allen was in favour of aid, believing that Iran should remain in the Western camp, an idea which was supported by Acheson and Henderson who were, in view of confrontation in Azarbaijan, concerned that Iran might fall into the Soviet camp,<sup>67</sup> but crisis in Azarbaijan ended in December 1946 and after the congressional elections of November 1946 the new administration at the State Department showed little interest in economic aid. Large sums of money had been considered for the reconstruction of certain Western European countries, Greece and Turkey, but Iran had oil revenues.

The basic economic problem of Iran was productivity for it had to be increased to provide a stable economy. A seven year plan was decided early 1947 calling for the expenditure of 650,000,000 dollar in seven years to develop the economic, cultural, health and administrative sectors. This was a part of the monarchist's policy to involve a third power into the politics of Iran and was based on the

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<sup>66</sup> See for instance, *Setareh*, 11 *Esfand* 1321 (2 March 1942), and *Radeh Emruz*, 4 *Mehr* 1322 (26 September 1944).

<sup>67</sup> FRUS 1946 Vol 7 pp 520 521 523-525.

Tehran Declaration of December 1943 that ....*any economic problems confronting Iran at the close of hostilities should receive full consideration.*<sup>68</sup> That is how the term economic plan first appeared in the Iranian political vocabulary.

Iran had accumulated substantial reserves of foreign exchange during the war, but these were inadequate to finance the plan. In 1947, Iran applied to the American-controlled International Bank for Reconstruction and Development, IBRD, for a loan of 250,000,000 dollars. The American specialists, Morrison-Knudsen Co., Idaho, were engaged to make the surveys and recommendations. Ghavam, the Prime Minister who initiated the Plan resigned in December 1947. The new government appointed an Iranian economist to work on the plan. The idea was to show that the plan was Iranian rather than foreign. The Iranian Government drew up the First Plan. The Plan was in part inspired by the fact that a worldwide economic crisis had been anticipated after the end of the war. Another factor to be considered was the Soviet planning and the idea of state intervention which emerged in Western countries.

The Plan Organisation was founded in 1948 and the American Industrial Consultant, Max Thornburg was commissioned to advise the government. Max Thornburg, in turn, suggested an advisory contract for technical assistance with a consortium of American engineering firms, Overseas Consultants Incorporated, OCI, who were engaged in August 1948 at approximately 650,000 dollars a year. The OCI, however, lacked international character so a British firm, Alexander Gibb and Co., with experience in the region was added ! The idea in practice was for the government to determine the manner in which oil revenues, market mechanism and the administration was used. The market mechanism and administration were con-

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<sup>68</sup> For the text see FRUS 1943 Vol 4 pp 414.

sidered as instruments to increase the contribution of oil revenues to development. The economic and social development was to be achieved through the combination of these three elements.

Planning went ahead for several years but it was not contained within any specific political philosophy or economic doctrine. The plans were conceived from the economic point of view as a mixture of free enterprise and public intervention. The plan was a list of projects investigated at prefeasibility level and endorsed by the engineering firm. The ultimate objective of planning was not defined nor the social and political framework within which planning decisions were to be made as little consultation had been made with officials. The plans never achieved any long-run perspective. The Majles, however, ratified the Plan in February 1949 and the Shah's brother, Abdol Reza, assumed the honorary chairmanship of the Plan.

In October 1949, the OCI submitted to the Iranian Government a 1250-page report and like the original plan called for the expenditure of 656,000,000 dollars in seven years to be financed from oil royalties, a foreign loan and issuing notes. The Shah paid a state visit to Washington in November to secure the loan but returned empty-handed. The reason was most probably Washington not being enthusiastic about economic aid outside Europe at that time. Besides there were other reasons. The administrative inefficiency and corruption of the government would waste the loan, an example of which was the defeat of the Kumintang regime in China in 1949 and the diversion of American funds into personal accounts !

By the end of 1949, the International Bank, in view of Iran's financial situation, considered Iran a bad credit risk and refused the loan. The Plan, however, went on although under-funded. In October 1950, Washington offered 25,000,000 dollars

through Export-Import Bank but the Majles, in retaliation, refused to ratify the loan. Under the First Seven Year Development Plan Law, the Plan Organisation was to receive 37 per cent of the oil revenues for the years 1948 to 1955. The revenues were 65,000,000 pounds but in practice the Plan Organisation only received 7,000,000 pounds because of the closure of the oil industry for 3 years between 1951 and 1954 and the reduction in total payments. In the postwar years budgetary deficit did not exceed 5 per cent up to 1949, at the same time 11 to 15 per cent of the total budget were oil revenues. The effects of these factors were practically offset by increasing imports and industrial production.

In summary, the effect of oil revenues on the economy was paramount after 1925 when modernisation of Iran began. Significant contributions were made to the economy in terms of value added to GNP. The oil industry was the largest employer, next to the government, and provided paid employment for 30,000 Iranians in 1951. Up to 1943, oil revenues were a major source of foreign currency and financed up to approximately 60 per cent of the imports between 1946 and 1950.<sup>69</sup> The revenues were the largest source of foreign exchange and this placed the government in a dependent position, the consequence of which became clear after the nationalisation. In 1952, government had to cut spending in general due to financial difficulties. The expenditure of the army was vast as a matter of prestige as the Shah wanted to have a large army to bolster his power. The choice of the Minister of War was traditionally that of the Shah and government had practically not much control over the army. The dependence of the economy on the oil revenues put Mosaddegh under great pressure as he now had to resort to an oil-free economy to which a balanced budget and revised tax laws, were the

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<sup>69</sup> Bharier, pp 159.

answer. Iran managed to increase its traditional exports by 13 per cent and reduce imports by 50 per cent during the period 1951 to 1953.

During the years 1908 to 1951, total revenues of Iran were 125,000,000 pounds for the total export of 300,000,000 ton of products. that is less than 5 pence a barrel !<sup>70</sup> To this one has to add the domestic consumption of the Oil Company as well as the alleged illegal exports of oil. It is not, therefore, surprising to learn that the total taxes paid to the British Government for the years 1947-1951 were higher than the total oil revenues paid to Iran in 50 years.<sup>71</sup>

## 2.6 Oil Rivalry

The oil politics and blocking rivals could not be separated from oil search. As explained in page 6, the importance of the oil for the British industries had become clear by the turn of the century. Britain had to search for oil and once it had been found to protect it. Several countries around the world had been known to possess oil reserves with Iran and Mesopotamia having special places amongst them. The German influence in Mesopotamia was too strong to allow British capitalists to intervene. Americans had no share in oil exploration in the Middle East and France was out of the oil race. Britain's rival in Iran was only Russia which had made Iran its exclusive oil market.

In reviewing the events of the early years of the twentieth century one can clearly see the importance of oil independence for Britain. The desire to possess as much oil reserves as possible, to drive the rivals out of the race and to establish exclusive supply sources, had become too obvious. Control over oil for Britain

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<sup>70</sup> Nahai, pp 17.

<sup>71</sup> Moghari, pp 78.

was so vital that after the First World War Lord Curzon commented that the Allies floated to victory on a sea of oil. It also explains that his real motives for his attempts to turn Iran into a British Protectorate in 1919 was oil. Churchill also recognised the importance of the oil many years before when in June 1912, he asked the retired Admiral Fisher to preside over the Royal Commission on Oil Supply. The formation and the future operations of the Anglo-Persian Oil Company which covered 500,000 Sq. miles of Iran, had been recognised to be of paramount importance to Britain.

In 1907, Britain signed an agreement with the Russian Empire to divide Iran into two zones of influence.<sup>72</sup> The Russian zone was large and extended into central Iran while British zone only covered Baluchestan. An agreement was reached not to seek concessions in the zone allocated to the other side. It was the discovery of oil in the neutral zone in 1908 which changed the balance forcing Britain to give Russia a free hand in Dardenelles and to divide, in a secret agreement in 1915, the neutral zone with Russia. As a part of the manoeuvre, in 1916, Britain assisted Khoshtari, a Russian subject, to acquire an oil concession from a pro-Russian politician, Sepahdar, to cover the North. The Majles had been dissolved. The concession could not have been ratified and indeed, in 1918, the next cabinet declared it null and void.

A new era appeared to have started after the Bolshevik Revolution of 1917 when the Revolutionary Government cancelled all Czarist concessions and restored them to Iran. Realising the situation, Khoshtaria sold his concession in a hurry to the Anglo-Persian Oil Company for the sum of 100,000 pounds resulting in

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<sup>72</sup> Avery, pp 158. Taylor, in his book *Struggle for Mastery in Europe* pp 239, makes an interesting comment on this agreement. He believed that the Anglo-Saxons and perhaps the French believe in buffer states and the Germans and perhaps Russians believe in partition as the best way to peace between the great powers.



the subsequent formation, in May 1920, of a subsidiary, the North Persian Oil Company with a capital of 3,000,000 pounds. This was a calculated move by Britain to take advantage of the political situation in the Soviet Union and to acquire control over the entire Iran. It was British bad reputation in Iran for being an imperialistic power, which resulted in the subsequent decline of the validity of Khoshtaria's concession by Iran and that of the North Persian Oil Company. Furthermore, it was this British move to acquire control over entire Iran and the resentment over Lord Curzon's attempts to turn Iran into a British Protectorate which forced the Iranian nationalists to look for a replacement for Britain.

This was the beginning of a new era in which American interests in Iran flourished. Iran considered America as a distant and disinterested country and invited American oil companies to invest in Iran, an invitation which was resented by both Britain and the Soviet Union. A year later, Iran negotiated with Standard Oil of New Jersey but joint Soviet and British opposition defeated the move. Anglo-Persian Oil Company, reminding the Standard Oil Company of the fact that they had the exclusive right of pipelaying in the south, offered to share the North with Standard Oil and give them a say in the Company's board of directors ! This met with fierce Iranian opposition and as a result, Iran entered into negotiations with another American company, Sinclair Consolidated Oil Company. In 1923, Sinclair was granted a concession in the north but again it was Anglo-Persian Oil Company which refused pipelaying in the south and Moscow, in turn, refused access through the Caucasus area to the Black Sea ! The murder of an American official, Major Imbrie in Tehran, has also been attributed to British undercover agents who allegedly had the mission of sabotaging the American oil explorations.

In July 1924, Imbrie attempted to photograph a religious gathering. A senior

official of the Oil Company was with him giving credence to the rumours that rivals of Sinclair were involved.<sup>73</sup> The fury of the British officials in the wake of the invalidation of the North Persian Oil Company was reflected in the comment made by G P Churchill of the Eastern Department at the Foreign Office. He wrote "*The present Persian Government contemplate throwing Persia entirely into the hands of the Americans*"<sup>74</sup> and another British official commented with confidence that the North "*would be locked off by us from the Persian Gulf*".<sup>75</sup> It was not economical for American Oil Companies to carry oil to a sea port by any means other than a pipeline. The oil explorations in the north was abandoned early 1920's and America was out of the race.

A question might arise as to the position of the French oil companies. Up to 1920, France had no share in any oil wells in the Middle East and was dependent on American oil. The reason was perhaps the decline of the French influence in Eastern Mediterranean since the defeat of Napoleon in Egypt. In those days, a concession was not worth the paper it was written on unless backed by a powerful foreign legation. The British position in Egypt and Sudan was strong and in Iran, it was pre-dominant. France had only appeared in the oil race of the Middle East after the First World War when they were given Germany's 25 per cent share in the Turkish Petroleum Company. The Germans themselves were no rival for Britain in Iran either. Their oil exploration was confined to Mesopotamia due to the political rivalries between Britain and the Ottomani in the last few years of the nineteenth century.

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<sup>73</sup> Malek, pp 308.

<sup>74</sup> PRO FO 371 6448 30 August 1921.

<sup>75</sup> BP H 10 80, memorandum on the North Persia Oil Concession, pp 3-4.

## 2.7 Conclusion

The purpose of this chapter was to present a background to the oil concessions and discuss the growing penetration of the Iranian economy by foreign intervention and the consequences of such interventions. The Iranian society was influenced by Western ways since at least 1800's. After the defeat by the Russian Tsarist army, Iranian kings found themselves subject of pressure and restriction by the growing Russian and British influence. They had to resort to power games, lose territory and offer concessions to satisfy foreign greed. Their policy, known in Farsi as *movazeneh* (balance), was actually effective as it turned foreign military advance into commercial rivalry. This, after many years, ended in economic weakness and corruption, which eventually resulted in virtual bankruptcy and the need to borrow foreign loans or offer concessions to raise cash. One such concession was that of Tobacco in 1891 offered to fill the Shah's empty purse. The other one was D'Arcy's obtained again by offering cash to the Shah and bribes to corrupt politicians surrounding him.<sup>76</sup> The Tobacco concession quickly ended in cancellation and compensation by the Iranian authorities. The consequences of the D'Arcy's concession were much different.

The gusher at Masjed Soleiman on 26 May 1908 marked the beginning of a new epoch in the history of Iran if not that of the Middle East. For industrial countries of the West, it brought material benefit. For Iran, however, its consequences were different. Iranian statesmen may have offered an oil concession for the sake of few thousand pounds believing that like others D'Arcy would have also been unsuccessful in finding oil. This concession, however, caused a bitter dispute which

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<sup>76</sup> Bribing appears to have been an obvious feature of Iranian way of life. To the Shah and the influential officials, it was called *pishkesh* (donation) and was quite common to pay a pishkesh to receive a title or to be appointed to certain jobs. To ordinary Iranians, it was more like tea money than anything else.

lasted for decades. The role the Iranian oil assumed in international power politics became so dominant that it may well be compared with the importance of its discovery. Just as it did in industry, it lubricated the wheels of policies advocated by Percy Cox, British Resident in Bushehr, Anthony Harding, British Minister in Tehran, and Lord John Fisher, the "*oil maniac*" who started the battle of oil against steam.

Although people like Percy Cox were elated by the oil strike, they could hardly afford to commit themselves solely to the Concessions Syndicate as a much larger enterprise was needed to develop the oil reserves. This can be seen from the chain of companies formed later on. The Syndicate owned the First Exploitation Company. Burma Oil Company owned the Syndicate and for obvious reasons British authorities acquired a large stake in the oil company to have a firm foothold in the newly-established Iranian oil industry. The Shah was perhaps only interested in oil royalty but the concession-hunter wanted better terms and longer time. All the concessions granted by the late 19th century had their own social and political implications. One such example was that of Tobacco and Lottery. By 1950, oil was a factor vital for the economic growth and the increase in living standard exerted much greater emphasis on the national sovereignty of the country's natural resources.

The importance of this vital factor in Iran of 1940's together with the nature of policy and the personalities involved will be discussed in the next chapter.

## Chapter III

### Domestic Iranian Politics and the Importance of Oil

This chapter presents an analysis of the Iranian setting in the 1940's, describes the Majles and the press, and the influential characters involved in the power game. It seeks to evaluate the role the political forces played in shaping the events of the 1940's. Two dominant features are East-West conflict and the oil rivalry. Iran suffered from both. The relevance of the oil factor and foreign attempts to acquire a better position in Iran are analysed.

#### 3.1 Reza Shah and the Allies

Although he was brought to power by Britain in 1921, towards the end of his rule, Reza Shah had become dissatisfied with the British and expressed pro-German sentiment. In 1941, he refused to expel German subjects from Iran. Reza Shah's non-cooperation with the allies and the strong German sentiment in Iran compounded with the German advance towards the Caucasus justified the occupation of Iran. The 1941 Anglo-Soviet occupation resulted in the immediate disintegration of the Iranian Army which outnumbered the Allied Forces 4 to 1, and the subsequent exile of Reza Shah. The invasion marked the end of a period of personal rule during which all the democratic institutions which had been established between 1909 and 1921 were destroyed. The reign of Reza Shah was a period of rule by a dictator who recognised almost no limit to his power. Reza Shah had come to power in a coup in February 1921 when he moved the Cossack Brigade to the suburbs of Tehran to exert pressure on the Central Government.

The Cossack Brigade had been established by a Russian officer who had left in 1917. Reza Khan then assumed the command of the brigade.

The Anglo-Persian Treaty of 1919 to turn Iran into a British protectorate had been rejected by the Majles. The British Government was after an opportunity to improve its position in Iran. A senior British officer, General Ironside, serving with the British Embassy in Tehran approached senior Cossack officer to bring the Brigade near Tehran to put pressure on the Iranian Government. No one agreed to cooperate. Perhaps prompted by Ataturk and the Republic of Turkey, Reza Khan occupied Tehran, threatened the Government and acquired the post of Minister of War.<sup>1</sup> He was a shrewd and ruthless man with a commanding sense of authority who rose rapidly through the Iranian ranks. He carried out the coup with the help of a 30 year old journalist, Seyed Zia, who became the prime minister. Seyed Zia paid Reza Khan 2000 Tomans and 20,000 Tomans for his 2000 men.<sup>2</sup> It has been claimed that Seyed Zia himself had been bribed by the British Embassy to assist the passage of the 1919 Anglo-Persian Treaty through the Majles. Reza Khan soon became the Prime Minister, ousted the Qajar Shah and planned to establish a republic. Shia clergy, fearfull of what had happened in Turkey after the collapse of the Ottoman Empire, persuaded him to abolish his plan and accept monarchy. He was enthroned as Reza Shah in 1925. Only one molla, Modarres, isolated himself by opposing Reza Khan. Another Molla, Kashani who became the most politically active molla of 1940's, gave Reza Khan full support.

After a period of constitutional government following the defeat of absolutism in 1909, government functioned on authoritarian centralised and nationalistic lines.

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<sup>1</sup> The post of the Minister of War effectively remained with Reza Khan and his son, the following Shah, until the collapse of Pahlavi Dynasty in 1978 !

<sup>2</sup> Makki, Tarikh ... vol 1.

Under Reza Shah, the budget reached 30,000,000 pounds, government controlled 33 per cent of imports and 44 per cent of all exports.<sup>3</sup> The process of evolving towards unification and modernisation turned Iran from a feudalistic country into a well-conducted state. Examples of changes were emancipation of women, restriction of clerical influence and the vast development of education.<sup>4</sup> The migration of some landowners to cities under Reza Shah resulted in a new middle class. The urban attraction which was the consequence of centralising power in Tehran resulted in a middle class which emerged amongst urban population which included the Western-educated and students. Bazaar elements could be considered as traditional middle class. The class of artisans of 1940's which did not exist in 1901, changed the traditional way of thinking as a new social order was needed to accommodate them. The demand for labour legislation was high.<sup>5</sup> The traditional desire to end foreign influence and a growing nationalism were shared by all of them but they did not always cooperate.<sup>6</sup> The long-time oppression of the masses by government together with the xenophobic nature of Iranians when foreign commercial abuse was concerned, fired by religious emotions, appears to have given cause for extreme nationalism of 1940's.

The reign of Reza Shah was a period of terror during which very few of his opponents survived. Modarres, for instance, suffered years of detention before being strangled. Khazal was under house arrest in Tehran until 1936. In the early years of Reza Shah's reign, a famous writer and poet, Eshghi, was assassinated. Socially this period was marked with superficial westernisation. Western gear and French hat was introduced to a traditional society in which women wore Chador

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<sup>3</sup> Wilbur, pp 130.

<sup>4</sup> For a detailed account of Iran under Reza Shah see Wilbur.

<sup>5</sup> ILO, pp 31.

<sup>6</sup> Cottam, pp 33-50.

for centuries, but poverty and deace continued in its traditional way. Railways and other ambitious public works were completed but dictatorial rule removed the democratic institutions which existed after the re-establishment of the Constitutional Government of 1909.

It was perhaps Reza Shah's anger against Britain which led him to establish friendly relationships with Nazi Germany in 1935. Germany like America had a good reputation in Iran for not being an imperialistic power, in particular Germany was an ally of the Ottoman Empire in the First World war. Iranian nationalists had adopted the policy of *movazeneh* in 1920's by attempting to bring Washington into Iranian politics. The employment of Millspaugh or involvement of American oil companies in Iran are examples of this policy. German influence grew strong in Iran. It originally began under the Weimar Republic, then under Hitler with their Swastika, a symbol of Aryan brotherhood. German activities ranged from giving parties to lecturing and organising Boy Scouts. Towards the late 1930's a large number of Germans, amongst them Nazi intelligentsia, lived in Iran.

Perhaps prompted by the German Government Reza Shah changed the name of the country from Persia to Iran and allowed Germany to develop Iranian industry.<sup>7</sup> Consequently, the Anglo-Persian Oil Company also changed its title to Anglo-Iranian Oil Company.<sup>8</sup> Germany scrapped the Molotov-Ribbentrop pact in June 1941 and attacked the Soviet Union. Iran declared neutrality but refused to comply

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<sup>7</sup> Iranians have known their country as Iran for at least a thousand years. The name Persia is most probably a version of Pars, the ancient name of the province of Fars. For details of Germany's activities in Iran see Lenczowski, *Russia and the West in Iran*, pp 145, 152.

<sup>8</sup> It once again changed name to British Petroleum in 1954 when operation began after the coup. British Petroleum was originally a subsidiary of the European Petroleum Union of Bremen distributing Shell products in Britain. At the outbreak of the First World War, the British government announced it an enemy concern because of its German connections which put the Anglo-Persian Oil Company in a position to buy it for 2,000,000 pounds. Iranians made a joke about the letters B and P on the petrol pumps. According to them, they stood for *Benzineh Pars* (petrol of Persia) than for British Petroleum ! In Sweden, however, these letters stand for Blue Pumps.



with the Allied demand to expel German citizens. Motivated by Reza Shah's non-cooperation the Allies soon invaded Iran. National unity established by Reza Shah proved to be a facade only. The army disintegrated in 2 days. Reza Shah abdicated and was sent to exile in South Africa. He died in 1944.

### **3.2 A New Political Scene**

The Anglo-Soviet invasion of 25 August 1941 marked the beginning of a period of unrest in the modern history of Iran. The Central Government was faced with several serious problems. These included Allied demands, the vacuum of power created by the abdication of Reza Shah, the collapse of the army in only two days and the internal power struggle which started almost immediately after the invasion. As shown in Appendix A, in the first few years of the invasion there were four government changes. Besides, Iran did not have independence in foreign policy and had to resort to the policy of involving a third power to weaken the other two. In view of the Allied cooperation, this did not seem to be as easy as before. In the North, communist influence was progressing under the Soviet occupation. In the South, certain tribes had assumed rule taking the advantage of the British occupation and the Trans-Iranian Railway was under American control. A new political environment had resulted from the invasion unknown in the history of Iran.

This new situation resulted in the formation of new political forces which continued until the collapse of Mosaddegh in 1953. The 1942 Tri-partite Treaty regulated the Allied occupation and there was soon to be elections, although rigged, which eventually dragged Iranians into a unique period of pluralistic politics for which they had no experience as democracy had no background in Iran. With

few exceptions, Iran had always been ruled by despots who recognised almost no limits to their power. An example of weakness of democracy is the short period of parliamentary rule following the Constitutional Movement of 1906 which was suppressed by Reza Shah.

The structure of power under Reza Shah did not change considerably because the 13th Majles elected under Reza Shah was controlled by pro-Shah deputies. It was only in January 1946 when the Majles acquired a say in electing the prime minister. Even in the 14th Majles faction rather than party dominated with the exception of the Tudeh deputies who voted as a unit. A glance at Appendix A. shows that like early 1910's prime ministers came from a traditional ruling class who took turns in office. The government did not appear to have much meaning to the nomads or peasants who would have benefited from reforms. To them government was a nuisance demanding tax and soldiers .<sup>9</sup>

In the 1940's Iran faced several serious problems and crises which had resulted from the occupation. In this category are parliamentary rule, the collapse of the economy, the 1944 oil crisis, confrontation in Azarbaijan which turned an Iranian problem into an international one, the progress of communism and the Tudeh Party, domestic struggle between forces which appeared in the political scene of Iran, the application of the policy of "*movazeneh*" by monarchists, rebellion of the tribes in Fars, and the struggle between Shia clergy and secularists. The economic problem worsened at the end of the war. Industry had received more attention than agriculture. The state-run factories were inefficient and less than 1 per cent of the population was employed in manufacturing. The Tudeh Party had taken advantage

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<sup>9</sup> Lambton, pp 224. Lencowzski, Russia and ..., pp 167-192.

of the situation and made inroads among workers.<sup>10</sup> Many villagers migrated to cities especially to Tehran. They had benefited little from the industrialisation and their standard of life had declined.<sup>11</sup> The public was dissatisfied over the low standard of living.

The 1940's also witnessed continuous Soviet threat to Iranian integrity. Moscow had no troops in Iran after May 1946 and unlike Eastern Europe, the Iranian Communist Party was weak. From the constitutional point of view, the 1940's was a period when the country passed from early 1920's into early 1950's without direction.

### **3.3 Mosaddegh and Kashani**

There were a number of politicians who shaped the events of the 1940's. One such politician was Mosaddegh, whose strong anti-British feelings stirred up public sentiment to the extent that it may be claimed that the oil nationalisation was an expansion of his nationalism. In the 1940's personalities could not be separated from the political events. It is, therefore, important to study the character of Mosaddegh in details as it was the trust and support placed on him by the nation, which enabled the nationalists to acquire a political standing of such importance to allow oil nationalisation to take place. Born in 1882 in a wealthy family with blood ties with Qajar Dynasty, Mosaddegh enjoyed a life of privileges denied to the majority of ordinary Iranians. He was twelve when his father who was in charge of the Finances of the province of Khorasan died. He received the title of Mosaddeghos-Saltaneh from Naser-eddin Shah and, according to Qajar customs, was given his father's job in 1896 which he held for the next 10 years. He eventually

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<sup>10</sup> Bharier, pp 49 67 170-178.

<sup>11</sup> Wilber, pp 100.

had to give up his title in 1925 when Qajar titles were abolished in favour of family surnames.<sup>12</sup>

During this period of 10 years, Mosaddegh looked after his easy-gained fortune which he had inherited from his father, but in 1902 and because of his interest in politics, he enrolled at the School of Political Sciences in Tehran and since he was busy daytime, took lessons in the evenings. He was politically active in the 1900's through the membership of political groups which had formed through gatherings of local people and was for a time deputy leader of "*Majma Ensaniat*" (Humanist Society). In 1906 and according to the first Constitution, the six different classes of the society were given a right to elect their deputies to the First Majles, he was elected by the aristocracy as their deputy from Esfahan. He had chosen Esfahan because his wife owned land there and he was well aquatinted with the people of Esfahan. At about this time it has also been reported that he became a freemason.<sup>13</sup>

The young Mosaddeghos-Saltaneh was, however, unable to take up his seat because he did not satisfy the minimum age requirements of 30. His credentials were rejected because another deputy proved that only 26 years had lapsed since the death of the first husband of Mosaddegh's mother ! The controversy surrounding his age came to his help some 43 years later when during the 16th Majles elections, opponents attempted to exclude him by arguing that he was over 70.

The Constitutional Government did not last very long for Majles was raided by pro-Shah cossacks in 1908. The newly elected parliament collapsed. Not being able to have an active part in politics, Mosaddegh then went to France for further

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<sup>12</sup> The next few pages containing Mosaddegh's biography have been mainly translated from Afshar, Mosaddegh's Memoir.

<sup>13</sup> Keddie (1983), pp 104.

education but had to return to Iran a year later, because he had been afflicted with a nervous disorder, which remained with him to the end of his life and was the cause of his fainting and occasional abrupt behaviour. He returned to Europe in 1911 to study law at Neuchatel in Switzerland and obtained a doctorate in Law writing his thesis on the subject of *le testament en droit musulman*. He also obtained Swiss nationality to enable him to work, but after few months working as a lawyer, decided to return to Iran and coincidentally arrived in Tehran only one day before the First World War was declared !

Between 1914 and 1919, Dr Mosaddeghos-Saltaneh lived an ordinary life and kept himself busy with farming as well as teaching law at the School of Political Sciences in Tehran. He wrote a textbook *Procedural Order in Civil Courts and Capitulation and Iran* which was resented by the British Legation. In 1922, when Mosaddegh was the Governor of Azarbaijan, Soviet Consulate requested the release of a Soviet citizen disputing that he could not have been arrested without the consent of the Consulate. Mosaddegh was appalled at the idea of capitulation and opposed the Consul. The capitulation had actually been cancelled under the 1921 Irano-Soviet Treaty of Friendship. During this period, Mosaddegh was politically active and joined Etedal Party (Moderates) and later on Democrats through which he fought the forces of anti-constitutionalism. His first political job was in 1915, during the premiership of Einod-dowleh, when he was elected by the 3rd Majles as a member of the Finance Committee to supervise the affairs of the Ministry. Later on, in 1917, he was actually made the Deputy Minister of Finance and went so far as prosecuting prominent individuals for corrupt practices. He held this post for 14 months and resigned.<sup>14</sup>

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<sup>14</sup> Mosaddegh, Mosaddegh's Memoir, pp 182.

Britain took advantage of Russia's political weakness during the 1917 Revolution by making the proposal known as the 1919 Anglo-Persian Treaty to turn Iran into a British Protectorate. Mosaddegh had noticed that Britain's main concern was the Anglo-Persian Oil Company whose role in supplying British Navy during the war was evident. This was the first time that Mosaddegh came across the oil issue and together with a number of Iranians, decided to hold a meeting in a mosque. They were dispersed by the authority and some leading individuals were sent to exile.<sup>15</sup> When the pro-British cabinet of Vusugh came to power in July 1918, Mosaddegh took the opportunity to return to Switzerland to visit his children and with the help of Iranians, established *Comite de la Resistance* propagating against the treaty. In September 1926, when Mosaddegh was a deputy in the 6th Majles, he made a historic speech against the treaty and accused politicians involved of corruption and incompetence. One such politician was Nosratod-Dowleh, Mosaddegh's brother-in-law, but it did not stop Mosaddegh from mentioning him by name.

In 1920, Mosaddegh was still in Switzerland when the cabinet changed and he was offered the post of the Minister of Justice but the British Legation, aware of his nationalist feelings, criticised him by asking if a degree in law was enough for the post. In October 1920, Mosaddegh returned to Iran by sea and on the way to Tehran, in Shiraz, he was made the Governor of Fars instead of the Minister of Justice. This was not unusual at this period of Iranian history. Mosaddegh acquired a good reputation in Fars for providing secc<sup>16</sup> Major Meade, British Consul in Shiraz, described him as a "*scrupulously honest*" man. Mosaddegh was friendly with the commander of the South Persian Rifles, Colonel Fraser, a friendship which

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<sup>15</sup> Mosaddegh, *Historic Speeches*, pp 60.

<sup>16</sup> Mosaddegh, *Mosaddegh's Memoir*, pp 209.

was taken as evidence by the Shah, some 40 years later, for him being a British agent.<sup>17</sup>

In February 1921, Britain, unsuccessful with its 1919 proposal, arranged for a coup which brought Reza Khan to power. Mosaddegh refused to recognise the new cabinet and resigned in March 1921. It is not clear whether he opposed the new prime minister or the person of Reza Khan. If the latter is true it is interesting to know that in June 1921, he accepted the post of the Minister of Finance in Ghavam's cabinet in which Reza Khan was the Minister of War. However, the Russians congratulated Mosaddegh for his opposition to the British-supported coup.<sup>18</sup>

There are two interesting events during Mosaddegh's post of the Minister of Finance. First, he refused to take office until Armitage-Smith, Assistant Secretary of the British Treasury who had been employed by Iran under the 1919 Anglo-Persian Treaty, was removed from the Ministry of Finance. Armitage-Smith was a powerful man who screened the staff of Anglo-Persian Oil Company and negotiated loans to the Government from the special Oil Company's funds through the Imperial Bank of Persia. The removal of Armitage-Smith in October 1921, is an indication of Mosaddegh's nationalist feelings and his opposition to foreign dominion. Secondly, for the first time in Iranian history, Mosaddegh proposed a balanced budget to the Majles which was an important measure to reduce foreign influence by reducing the Government's dependence on borrowing.

Mosaddegh's clean up of the Ministry of Finance and his opposition to an increase of the Shah's income without ratification by the Majles was noticed by

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<sup>17</sup> Pahlavi, *Mission for my Country*, pp 65.

<sup>18</sup> Lenczowski, *Russia and ...*, pp 65.

Sir Percy Loraine who wrote to Lord Curzon that he could not be accused "*of ever having taken a penny*"<sup>19</sup> which was very unusual of Iranian politicians at that time. His clash with Reza Khan who had demanded further payments for the Ministry of War is also another example. Mosaddegh's refusal to work under Reza Khan continued even after Reza Khan was enthroned in 1925. He personally offered Mosaddegh a cabinet post but Mosaddegh declined, suspecting that the offer was to discredit him. He had the same suspicion in June 1944 when the new Shah offered him premiership and even later on, when after his historic speech on the 29 October 1944, deputies gave a "*straw vote*" for his premiership. Again, he declined fearing that that was a plot to oust him from politics.

Mosaddegh did not have a ministerial post for about a year until the next prime minister appointed him as Foreign Minister in June 1923 during which he collided with the British Legation over British occupation of the islands of Abu Musa and Shaikh Shoaib in the Persian Gulf. In December, cabinet fell and Reza Khan became prime minister. Mosaddegh was not prepared to work under him and resigned. This resignation was the end of Mosaddegh's political career in the Government which had begun in 1920. Mosaddegh was never again to hold office until 1951 when the 16th Majles elected him as the prime minister.

In 1924, Mosaddegh was elected to the 5th Majles and for the next four years won the reputation of an independent speaker. His peak performance was his speech against the Trans-Iranian Railway being constructed from the south to the north, arguing that this was a British attempt to prepare a plan for military advance towards the Soviet Union. He believed that a railway from Turkey to

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<sup>19</sup> PRO FO 371 E6588 Loraine to Curzon 7 May 1922.



British India, was more to the benefit of Iranian trade.<sup>20</sup> Mosaddegh was once again elected to the Majles in 1926 when elections were relatively free in Tehran and the regime was tolerant of the few opposition deputies such as Mosaddegh and Modarres. In 1928, the election rigging was so complete that no opposition figure was elected. Mosaddegh and many others such as Kashani, Dashti, Ghavam and Bahar chose to quit politics. He kept himself busy with farming in his village of Ahmadabad in Savaj-bolagh about 70 miles to the West of Tehran. He did not mix with many people and only left the country once in 1936 when he travelled to Germany for medical treatment.

Mosaddegh was an ageing man of 58 when in June 1940 and apparently for no good reason, he was arrested and remained in exile.<sup>21</sup> The only explanation for his arrest has been presented by the Shah who claimed that he was arrested for espionage.<sup>22</sup> Whilst in detention, he several times attempted suicide and because of his medical condition, in December 1940, was allowed to spend the rest of his detention under house arrest in Ahmadabad to be released in 1941 when Iran was invaded by the Allied Forces. He was reluctant to return to politics and stayed in Ahmadabad until 1943 when people of Tehran elected him, in his absence, as their First Deputy to the 14th Majles. The Shah delayed the opening of the Majles hoping that he could get Mosaddegh out of the Majles by offering him the premiership. Mosaddegh accepted the offer on the condition that he would return to Majles if cabinet fell, but since this was not agreed upon, he declined.

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<sup>20</sup> Mosaddegh, *Historic Speeches*, pp 150. Perhaps so but it provided vital means to assist the Soviet Union against the Nazi Germany.

<sup>21</sup> On the morning of Mosaddegh's arrest his 19 year old daughter, Khadijeh, arose in a trance and ran to the door to see her father. She never recovered from the trance and spent the rest of her life in nursing homes in Iran and Switzerland.

<sup>22</sup> Pahlavi, *Answer to History*, pp 71.

The 14th Majles was the first relatively freely-elected Majles for over 20 years. Mosaddegh was out of politics for about 15 years. Now it was time to make an impact on the Majles. Mosaddegh did very well when he made a speech on 29 October 1944 against granting oil concessions. Deputies gave a "*straw vote*" for his premiership. It happened again over his bill of 2 December 1944 forbidding negotiation or granting oil concessions until the end of the war and the policy of "*passive balance*".<sup>23</sup>

However, Ghavam's rigging of the next election was so complete that Mosaddegh was excluded from the 15th Majles. Nevertheless, he was practically leading the nationalists since the oil crisis of 1944 and had a basis of power that no other Iranian leader had in the 1940's. An example of this is Mosaddegh's guidance of his supporters in the 15th Majles and his control over parliamentary procedures, and although a man in his 60's, he was loved by young intellectuals. They admired him for his long-standing campaign against inherited privilege, although he was privileged, and his determination to rid the country from foreign influence.

The Tehran elections for the 16th Majles had been rigged. Mosaddegh and a number of national front supporters made a complaint to the Shah. It was this complaint which marked the beginning of the rise of Mosaddegh as a nationalist leader and prepared the way for the nationalisation of the oil industry. A group of 400 nationalists took refuge in the Shah's Palace in protest at election rigging but they dispersed as their complaint got nowhere. On 14 October 1949, a group of 20 leading nationalists including Mosaddegh, took refuge in the Palace and demanded an inquiry. This was in accordance with the Iranian custom of *bast*. This group of

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<sup>23</sup> Policy of *movazeneh* was based on granting concessions to both sides to satisfy their greed. *Passive balance*, however, forbid granting concessions to either side. This policy had first been presented to the 5th Majles of 1926 by Modarres.

nationalists are the ones who formed the National Front. They dispersed when the Shah promised to make an inquiry.<sup>24</sup> In countries like Iran public expectation was that the inquiry was to be a whitewash, for the man behind the scene was Hazhir, Minister of Court, but politics in Iran has always been full of surprises. Hazhir was assassinated by Fadayian Eslam (Devotees of Islam) on the 4 November 1949 and died a day later.

Subsequently, the election in Tehran was announced invalid. The main issue at the new election was oil and settlement of negotiations for better terms for Iran. As usual elections took some time but by February 1950 when the 16th Majles opened, seven leading figures had been elected amongst them Mosaddegh and Kashani who was the most active molla of 1940's. The results were very obvious. The Shah had made the same mistake that Naser-eddin Shah made in the late 1880's by inviting Seyyed Jamal-eddin to Iran.<sup>25</sup> Whether pro-Shah people thought a minor victory for opposition would not endanger his rule as the majority of deputies were pro-regime, or he had to put his house in order to secure American loans (for he made a trip to Washington and London in November 1949) made no difference. Nationalists now had a forum in the Majles to seek the leadership of the urban middle class.<sup>26</sup>

Another important character of 1940's was Kashani whose relationship with Mosaddegh is of great relevance to this study. In studying the political events of the 1940's especially those in direct relation to the oil nationalisation, it is also

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<sup>24</sup> The interpretation of the British Embassy officials is of interest. Valentine Lawford, the Charge d'Affaires, sent a telegram to the Foreign Office saying that the real reason was that Mosaddegh was afraid of not being elected and complained in advance (The Times, 17 October 1949).

<sup>25</sup> In his last trip to Europe, Naser-eddin Shah was fascinated by Jamal-eddin's ideas for reform and invited him to Iran. However, the Shah resented the speeches made by Jamal-eddin and deported him from Iran.

<sup>26</sup> For an American view of Mosaddegh see Dorman, Chapter 2.

important to investigate the relationship between Mosaddegh and Kashani. its development and the causes for its break-up. Born in 1885 in a religious family. Kashani moved to Iraq with his father at the age of 15 and because of his father's activities became involved in anti-British struggle. Kashani's father eventually lost his life during a siege to Kutol-emareh and a few years later, he himself had to flee to Iran because of his leading part in disturbances in the Iraqi cities which resulted in a death sentence being passed on him by the British authorities. The return of Kashani to Iran in 1921 coincided with the rise of Reza Khan to power.

As a Majles deputy, Kashani originally had a good relationship with Reza Shah but preferred private life to politics by holding home gatherings and teaching his followers theology and discussing social and political issues. His line of thinking was formed around the traditional framework of the Shia thought influenced by new ideas imported from the West. He did not oppose monarchy and was prepared to cooperate if his religious demands had been met. When Reza Shah fell in 1941, Kashani's political life began with his cooperation with Germans. Reza Shah had turned to Germany in 1930's and because of that a large number of Germans lived in Iran when Allied Forces invaded the country. Although they were expelled, German intelligence services survived and Kashani was in touch with them. He was arrested on 17 June 1942 and sent to internal exile and was not released until the end of the war.<sup>27</sup>

After his release he returned to Tehran and resumed political life. In the early months of 1945, Navab-Safavi established Fadayian Eslam. He was born in 1923 to a religious family who claimed to be the descendants of Safavi Dynasty. Fadayian attracted young men with a religious background and it has been reported that in

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<sup>27</sup> Jami, pp 69.

1951 their membership reached several thousands.<sup>28</sup> Navab-Safavi was executed in 1956. Kashani was closely associated with Fadayian Eslam. Late 1945, Prime Minister Hakimi introduced the Press Bill to the Majles to restrict press freedom. Kashani fiercely opposed the bill which caused considerable unrest and led to the fall of Hakimi in January 1946 and the premiership of Ghavam. The fall of Hakimi was the beginning of an era in which Majles became the focal point of the Iranian politics and gained control over the selection of the Prime Minister.

In summer 1946, another stage in the political life of Kashani began with his opposition to the idea of a Senate which had been suggested to the Shah by Ghavam. Kashani staged a campaign against Ghavam and was subsequently sent to internal exile until the fall of Ghavam in December 1947. He was elected in 1947 as a deputy and whilst in the Majles he was associated with Fadaian-Eslam (Devotees of Islam) under the leadership of Ghanat-abadi,<sup>29</sup> but an attempt on the Shah's life by Fadaian on 4 February 1949 gave the Government the opportunity to outlaw Fadaian Eslam and arrest Kashani who was exiled to Turkey. Kashani was lucky when his plane, on the way to Ankara, stopped at Beirut and he managed to acquire political asylum !

New elections for the 16th Majles were held in autumn 1949. Kashani was in exile but his popularity amongst mollahs was such that in the new elections, he was elected as a deputy for Tehran. Massive demonstrations for his return were arranged by his supporters. National Front welcomed his return and Mosaddegh and a cleric, Behbehani, prepared the public for his return. Kashani returned to

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<sup>28</sup> Khandaniha, 20 Ordibehesht 1330, (10 May 1951), 24 Ordibehesht 1330 (14 May 1951).

<sup>29</sup> Also known as *tattoo Shams*. He was a streetfighter but wore cleric robes too and was the leader of the Jamiate Mosalmanane Mojahed (Association of Moslem Mojaheds). He had contacts with monarchists and was appointed a Majles deputy after the coup of 1953.

Tehran in June 1950 and was warmly received by the clergy as well as nationalists. All Tehran had been mobilised on the day he returned. The clergy called on the public to liberate Iran from foreign influence and corruption.<sup>30</sup>

The coalition of clergy and nationalists in the 16th Majles was remarkable as clergy provided them with religious justification. Khonsari, another molla, issued a decree to the effect that nationalisation of oil was in full harmony with principles of Islam. Others asked people to join Kashani. It is explained in Chapter 5 that the Court and the Prime Minister Razmara were, however, against the idea and it was obvious that nationalisation would not be possible as long as Razmara was in power. The Fadayian found an easy solution to this. Navab-Safavi, their leader, told United Press correspondent on 20 May 1951 that *"it took two ounces of gunpowder to force patriotism out of our Chamber of Deputies"*.<sup>31</sup> Razmara was assassinated on 7 March by Fadayian and Majles ratified the bill, but the Shah appointed a pro-Western politician, Hosein Ala, as the Prime Minister and the government did not respond to oil nationalisation as expected.<sup>32</sup>

The National Front composed of traditional and modern middle class. The traditionals were clergy and Bazari elements. The modern ones were secular and socialists. Obviously, traditionals were scattered around the country in urban areas but the moderns were mainly in Tehran, Tabriz, Esfehan and Mashad. The opposition to the Government was small but intense. In the 16th Majles, there were only eight National Front deputies. Ala resigned on 27 April. The Shah was about to appoint Seyyed Zia as the Prime Minister, when both the Majles and the

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<sup>30</sup> Bakhtareh-Emruz, 15 Khordad 1329 (5 June 1950).

<sup>31</sup> Payne, pp 18.

<sup>32</sup> Kashani personally received the assassin and called him the Saviour of the Nation (Nimruz, 23 Khordad 1376, (13 June 1997).

Senate chose Mosaddegh as their candidate.

It has to be appreciated that the premiership of Mosaddegh and even his election to the 16th Majles would not have been possible without the support of Kashani who was leading the clergy. Certain parts of the society were more willing to follow their beloved molla than a Western-educated leader who was dressed like a European. The support of Kashani for Mosaddegh had begun in 1949 during the elections for the 16th Majles and was of paramount importance. In April 1950, for instance, the Tudeh Party was about to take advantage of the situation by staging oil strikes but Kashani intervened and invited the nation to cooperate with Mosaddegh.

However, minor differences between Mosaddegh and Kashani developed and led to open confrontation. The confrontation was not unexpected. Kashani considered himself a follower of Seyyed Jamal-eddin, the author of the idea of "*taghrib*" or Pan-Islamism and believed in an Islamic government. On the other hand, Mosaddegh's Western education gave him the idea of secularism and parliamentary rule. It was obvious from the beginning that they were on a collision course. But both men were aware of the sensitivity of the situation. Oil revenues had been stopped and Iranian economy began to feel the effects. The Government had taken measures to increase the traditional exports and decrease the imports but eventually they had to issue bonds and appeal to people for help. Kashani once again assisted Mosaddegh by inviting people to support the government.

The elections for the 17th Majles were held in April 1952 and not surprisingly 50 out of 70 deputies turned out to be from clerical groups. The efforts of Kashani had resulted in the growth of the power of clergy. In July, Mosaddegh

was appointed as the Prime Minister but this time he demanded the Ministry of War whose choice was that of the Shah. The Shah's refusal resulted in Mosaddegh's resignation and again it was Kashani who came to help and organised mob demonstrations in his support. The efforts of Kashani was once again rewarded. Mosaddegh returned as the Prime Minister and Kashani became the Speaker of the Majles early August 1952.

### 3.4 Parties and Factions

The 1940's also witnessed the formation of many political parties. With the fall of Reza Shah and the political openness created by the invasion, the urge towards political expression was strong. After some 15 years of non-party rule there was a flood of new parties.<sup>33</sup> The formation of political parties in Iran dates back to early 1900's when political and social groups were formed through gatherings of local people. The activities of the political groups intensified after the 1906 Constitutional Revolution but with the enthronement of Reza Khan in 1925, this phase of the Iranian democracy ended. The sudden formation of parties in the early 1940's, therefore, did not have a tradition to rely on.

Most political parties were unimportant, but one well-organised party, the Tudeh Party, emerged at the very early stage in September 1941, only one month after the invasion. The Tudeh Party was formed by a group of political prisoners known as the *fifty-three* who were imprisoned in 1937 for communist activities. Some of them were communists but most were liberal intellectuals.<sup>34</sup> The propertied class refused to support them as revolutionaries who would destroy property

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<sup>33</sup> For a description of political openness of this period of the Iranian history see Ellwell-Sutton, *political ...*, pp 45-62.

<sup>34</sup> Etelat, 23 Mehr 1321 (15 October 1941). The most prominent member of this group was Arani. Tudeh propagandists must have exaggerated about the importance of the others.



rights. The peasants also showed apathy for religious reasons. Consequently, they came to rely upon Moscow and the cover provided by the Red Army in the North.<sup>35</sup> The Tudeh was popular in the beginning and several of their candidates were elected to the 14th Majles. The activities of the Tudeh Party is of importance with regard to the confrontation in Azarbaijan as it was the only party allowed to operate in the north under the Soviet occupation.

The Democrats of Azarbaijan Party founded in 1945 could not have been separated from the Tudeh Party. In 1944, the Tudeh Party supported Kavtaradze strongly, an obvious example of their obedience to Moscow. In 1946 and in an attempt to appease Stalin, Premier Ghavam lifted some restrictions on Tudeh and formed a coalition cabinet with them. The Party suffered a split in 1948 followed by a formal ban in February 1949 when they were accused of involvement in the attempt on the Shah's life. According to the Tudeh, the oil nationalisation was the same as replacing British interest with that of America. In 1950, they called Mosaddegh's National Front created by imperialism to deceive people.<sup>36</sup> The formation of parties in 1943 was intense due to the fact that the 13th Majles, which had been elected under Reza Shah, expired. The elections for the 14th Majles in autumn 1943 was an opportunity to get rid of the *old gangs*, but in 1944 many parties either ceased or suspended activity.

A year later, Mellun Iran Party (Nationalists) was formed and had the Shah's backing perhaps because it was largely made up of *lumpens* or in Iranian terms *chaghu-kesh* meaning knife stabber ! The most important parties of this year were Tudeh (masses), Mardom (people), Miham (motherland), Iran. Edalat (justice) and

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<sup>35</sup> Kirk, pp 469.

<sup>36</sup> Besuye Ayandeh, 12 Dei 1328 (2 January 1950).

Eradeh-Melli.<sup>37</sup> Only two parties were known to have a faction in the Majles. The Tudeh, which proved by late 1944 to be a Soviet toy, and Eradeh-Melli which had close connections with Britain. Iranian students trained in the West returned to Iran to enter the administration but they were not prepared to keep out of politics. A group of them set up the Iran Party which was mainly composed of technocrats. The party, like many others, was opposed to foreign influence but was sympathetic towards the Soviet Union ! Amongst prominent leaders were Saleh, Sanjabi and Hasibi. Hasibi was an engineer whose career until 1944 was purely professional. He was a top student in the Darol-funun and studied mining in Paris. He spent two years travelling in Europe after graduation expanding his knowledge of mining and petroleum engineering. He became an oil expert for Iran Party and took active part in the process of oil nationalisation. In 1952, he was elected a Majles deputy. Another prominent leader Saleh became Minister of Justice when Iran Party joined Ghavam's coalition cabinet with the Tudeh Party in 1946.

Zahmatkeshan Party (Toilers) was set up when Baghai, a leading nationalist, joined Maleki and the bulk of the Tudeh splinters in 1948. A large number of workers and students joined the party. Baghai became their public political figure and Maleki, the theorist. Zahmatkeshan became the only party, before formation of the National Front in 1950, which could compete with the Tudeh. The party became known as the Third Force when Baghai left in 1952.

However, not all the groups were cooperative with the Tudeh. A youth anti-

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<sup>37</sup> The word melli or mellium appears to have been introduced into the politics of Iran towards the end of the 19th century. Before that in Iranian literature mellat meant sect. At about the Constitutional Revolution of 1906, it appears that mellat meant the nation as oppose to dowlat meaning the state or government. The problem still exists in translating such words as nationalism into Farsi. As an example, in Bank Melli Iran, melli has been used to mean national as oppose to the Imperial Bank although the bank is owned by the state ! The same problem is encountered in English when we come across names such as the National Grid which has nothing to do with nationalism.

Tudeh movement during the occupation called itself Pan-Iranist Party. It was established in 1949 by Furuhar, a high school student, and Pezeshkpur, an undergraduate ! They denounced capitalists, mollas and Marxists and demanded the return of Bahrain and the Caucasus. They continued activity until Furuhar split to form the Iranian People's Party, but the remainder supported the Shah even until 1978 ! Iranian Nazis also took part in the political activities through their National Socialist Workers Party of Iran, SUMKA. They ceased activity after the American coup of August 1953.

Edalat Party had a large representation of officials in its ranks but the fact that no political party of the early 1940's represented a real mass movement should be attributed to the fact that about 80 per cent of the Iranian population were peasants and politically passive. It is true that ideologically parties were not differentiated and none on its own had much political influence but their existence proved that the Iranian educated were concerned to see democracy flourish although they themselves had not yet developed much comprehension of the principles of democracy and its subsequent responsibilities. Political parties were an important part of the development of the Iranian democracy and encouraged independent thinking as most were nationalistic and many were hostile to foreign interference.<sup>38</sup>

### 3.5 The Iranian Press

In the 1940's, the growth of the press was more intense than the formation of political parties. In the first two years of the invasion, 150 newspapers and periodicals appeared many of which were liquidated for lack of funds and many

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<sup>38</sup> Formation of political parties and the role played by them took an scandalous form after 1953. Mardom (People) Party was introduced to perform the role of an official opposition ! After the riot of 5 June 1963, a new party, Iran Novin (New Iran) was established. With the Shah's approval Hasan Ali Mansour, leader of Iran Novin, became prime minister on 7 March 1964.

suspended by the Government. The role of the press was important for the main reason that journalists came from a literate class and that the only other media, the radio was not widely used. Not surprisingly, Tehran had the largest number of the press and in 1944-45 when political activities intensified, there were 50 newspapers and periodicals circulated in Tehran many of them were organs of political parties but the majority had no political affiliation. Running the papers was expensive and needed revenues from advertising. In those days merchants were not minded to advertise and publishers who could not afford to run their papers independently had to resort to special practices such as blackmail and secret dealings.<sup>39</sup>

Papers normally accused individuals or groups of treason. The law was lenient and libel suits would take several years to come to a hearing and longer for judgement. A strange aspect of the Iranian press in those years was that although the government had the power to suspend them, they would re-appear the very next day under a different name. There were even "*papers of convenience*" for sale to the owners of those which had been suspended.<sup>40</sup> The interest in the press and their large number eventually resulted in anarchy and on 24 December 1942, the Majles passed a law setting certain conditions for publication; namely a university degree and high moral qualifications for prospective editors. With regard to the language, most papers were published in Farsi but there were papers in Arminian, Turkish and even Polish as there was a large Polish refugee community in Tehran.

Foreign Legations had their own publications. The Soviets published *Novosti Dnia*, and the British had their *Tehran Daily News*. In addition, they issued bulletins and distributed them amongst politically-aware Iranians. The Embassy

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<sup>39</sup> For an account of Iranian press in the 1940's see Elwell-Sutton, *Iranian Press*.

<sup>40</sup> Elwell-Sutton, *Iranian Press*, pp 66.

publications were special for they were free from the Government censorship and played an important role as a truthful source of information with regard to international developments.

There is another interesting fact about the Iranian press of the 1940's. Until late 1943, with the exception of communist press, political alignment amongst the press was not yet defined but by January 1944 when the 14th Majles was opened and specially throughout the oil crisis of 1944, a greater understanding of the oil issue was achieved. The growth of the Iranian press continued after the end of the war. In February 1946, Iran had 270 licensed publications with Tehran still having the largest number of 216. However, the problem of limited and irregular circulation still existed.<sup>41</sup> Etelat was the largest, the oldest and the most prestigious paper of this period with a circulation of up to 50,000. In general, one might comment that the majority of papers became mouthpieces for political groups to attack their opponents and were used as a means of retaliation although they were all critical of government too. Young who spent several years in Iran commented that *"a considerable section of it is substantial and serious ... since papers are read in groups and opinions passed on by readers to illiterate friends"*.<sup>42</sup>

### 3.6 The Majles

The Iranian Majles was another political establishment which is of great relevance to this study. In its traditional form, Majles has always existed in Iran as kings used to hold court in public. In its modern form, Majles was established in 1906 when absolutism was replaced with Constitutionalism. However, Majles did not last very long as the new Shah raided the parliament with the backing

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<sup>41</sup> Ibid, pp 65.

<sup>42</sup> Young, The Social Support ..., pp 130.

of the Russian Cossacks. The Cossack Brigade had been established during the reign of Naser-eddin Shah with the help of the Russian officers. In one of his trips to Europe, Naser-eddin Shah was impressed with the discipline of the Russian Cossack and asked the Tsar if the Russian Government would establish a Cossack division in Iran. In future years the Cossacks became an instrument of aggression in Iran. The new Shah who was enthroned in 1906 had a good relationship with the Russian Commander, Colonel Liakhov, and with his aid raided the Majles, an event which resulted in the death of a number of deputies, but his reign did not last long. Azarbaijanis resisted the pro-Shah troops in Tabriz, freed the city and moved towards Tehran.

It is important to notice the strong sense of nationalism amongst the Azarbaijanis as they did not declare independence nor they turned to the Ottoman Empire who were, like Azarbaijanis, of Turkish origin. A year later, Tehran was surrounded by Azarbaijanis and Bakhtiaris who had come to their help. The Shah abdicated and sought refuge in the Russian Embassy together with his two sons, Ahmad Mirza and Mohamad Hasan Mirza. He was exiled to the port of Odesa and intended to take both his sons with him but Constitutionalists took his eldest son to the Palace and enthroned him as Ahmad Shah ! He was only 12 years of age and was assisted by the 86 year old Prince Regent, Azadol-molk, the Chief of the Qajar Tribe, until 1915. Ahmad Shah was only a mere figure and was ousted by Reza Khan in 1925. He died in Paris in 1931 at the age of 34. The idea of a republic had not yet developed amongst Iranians.

Returning to the re-establishment of the Majles in 1909, democracy had no background in Iran and foreign intrigue was strong forcing the nationalists to close the parliament down in 1911 to avoid ratifying bills under foreign influence. The

Majles was not re-opened until The 1921 coup by Reza Shah was the beginning of a new phase of arbitrary rule in Iran. Under his regime, election rigging became governmental policy and at least since 1928 all deputies were nominated by the authority. The election rigging was so obvious and widespread that it became subject of a joke by Modarress, a leading religious figure who had opposed Reza Khan. He commented that he was prepared to accept that all those 14,000 people who voted for him in 1926 were too frightened to elect him again in 1928, but what happened to that one vote that he cast for himself !

The fall of Reza Shah was the beginning of a new period of parliamentary rule in Iran but in the early 1940's personality conflicts and *fraksiun* (factions) were ruling the Majles as there was no parliamentary tradition to rely on. The first Majles of this period, the 13th Majles, had five *fraksiuns* and the 14th Majles had seven. Factionalism helped Iran maintaining its independence in that a small group of deputies, by refusing to turn up, could prevent a quorum which was necessary to ratify bills. In 1911, Constitutionlists closed the Majles down for six years in an attempt to prevent ratifying bills under foreign influence. In 1940's, however, factionalism did the same.

The habit of preventing a quorum took an ugly form when early 1946, the Tudeh activists, in support of Ghavam who had gone to Moscow, spat on the deputies to keep them away from the Majles. The 14th Majles was the first freely-elected Majles of 1940's and was the beginning of a period of considerable political expectation and was obviously the most active one. It passed some 80 bills, the most important of them were the Law of 2 December 1944 and the law of 12 October 1945 prohibiting the new elections. The Majles was frequently engaged in heated debates. In November 1944, for instance, it took 12 days to debate over

who to succeed Saed who had resigned during the oil crisis. Eventually, Bayat was elected with a 5 vote margin. One important characteristics of the way Majles functioned should be noticed. Although some deputies were keen on removing foreign influence, attaining independence for Iran in foreign politics, and debating popular issues, majority of deputies were monarchists or conservative land-owners who had been elected either by election rigging or through personal influence. In such an atmosphere and perhaps because of the uncertainty over the political future of Iran, towards the end of the Majles period, they were reluctant to pass important bills.

Bazar was also an import part of the Iran's political life of the 1940's. At least for 5 centuries bazar has been a centre of commerce in Iran. Bazar was structurally a long and narrow two-storey building accommodating a large number of stalls. It offered the public a variety of goods of different brands obtained through a complex trade system both domestically and from abroad. A large number of Bazaris were associated with the religious section of the society. Throughout the centuries they have been a centre of finance for the clergy and had a great impact on social reform. A very obvious example of this is their involvement in the Constitutional Movement of 1906. In 1953 they helped in opposing communism and the return of the Shah to power.<sup>43</sup>

### **3.7 A Frustrated Shah**

The Shah and some members of the Royal Family occupied a special place in the politics of Iran. Britain did not appear originally to be interested in the Shah. With the abdication of Reza Shah and in view of his hostility, Britain was more

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<sup>43</sup> Roosevelt K, pp 71 186.



interested in the restoration of Qajar Dynasty. The Foreign Office made contacts with Mohamad Hasan Mirza and his son Hamid Mirza, Ahmad Shah's nephew. The 24 year old Hamid Mirza resided in England with his father and was serving with the Royal Mail Shipping Company as an indentured cadet. Oliver Harvey, the Private Secretary to the Foreign Secretary Anthony Eden has recorded the events of the early September 1941. Eden met with Prince Mohamad Hasan Mirza and Hamid Mirza. Harold Nicholson, the Governor of the BBC who had served with the British Legation in Tehran in the 1920's, was called to advise. In their meeting of the 13 September 1941 with Nicholson, it was found that Prince Hamid Mirza could not speak Farsi !

The British Ambassador in Tehran had advised against the proposals and the matter was not pursued further.<sup>44</sup> The reluctance on the part of Prince Mohamad Hasan Mirza and his inconsequent response, may suggest that both father and the son were not sure about the seriousness of the British proposal and preferred not to pursue the matter. Hamid Mirza returned to Iran in 1957 as an employee of the oil company and held different posts within the company until 1971 when he left Iran. During his stay in Iran he was arrested by Sawak for allegedly removing the Shah's picture from the office !<sup>45</sup>

The Shah was not alone in his attempts to influence politics. His mother and his twin sister, Ashraf, were politically active up to the fall of Mosaddegh in 1953. Princess Ashraf, was the most politically active member of the Royal family. Freed from the tyranny of her father, after the invasion of Iran she took her opportunity and obtained a divorce from her husband, Ali Ghavam, to whom she was married

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<sup>44</sup> Wright, pp 213.

<sup>45</sup> Memories of Hamid Mirza have been published in Nimruz, Mehr to Azar 1375 (Autumn 1996).

by arrangement. She established relationships with influential politicians of the 1940's and had close association with Razmara. Ashraf's influential people were known as "*Ashraf's Gang*". During his government, Mosaddegh tried to convince the Shah to send his mother and sister abroad.

The 1940's was a period of frustration for the Shah. Lacking his father's authoritarian grip, he attempted to destabilise the fragile political system. Early 1948, he planned to dissolve the Majles and called for a Constitutional Convention, but both Britain and America opposed the plan for it would cause unrest throughout the entire country, a threat to the British-owned oil industry and to the American-proposed seven-year Plan.<sup>46</sup> Ambassador Le Rougetel wrote about the Shah's inexperience and weakness of character. The Shah's interference in politics was also subject of criticisms by Lance Pyman, a Foreign Office expert on Iran who wrote "*governmental institutions would work better if the Shah did not intrigue against his prime minister*".<sup>47</sup> Attlee described the Shah as "*quite a good little fellow*" who "*got in the hands of corrupt, awkward gangs*".<sup>48</sup>

In pursuance of monarchists plan for economic aid, the Shah arrived in Washington on 16 November 1949 and met Truman on 18 November. He desired quick economic and military assistance in substantial quantities, but he was reminded to give priority to economic and social developments. As an example of wrong policy he was reminded of National China and that he would wreck Iranian economy if he wanted to build up his army to compete with Moscow. The Shah was jealous of Turkey which had spent large sums on military but still maintained internal

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<sup>46</sup> FRUS 1948 Vol 5 pp 162-163, Shah's plan for the Constitution.

<sup>47</sup> PRO FO 371/Persia 61990 24 July 1947.

<sup>48</sup> Williams, pp 176.

stability.<sup>49</sup> To make sure that the Shah would not return home empty-handed, a joint statement was released on 30 November reaffirming Tehran Declaration of 1 December 1943 which promised economic aid to Iran.

The Shah did not always have an easy relationship with prime ministers. Some prime ministers, like Furughi and Sohaily, were pro-Shah and were effective bolstering his power. Some like Hakimi were respected figures but ineffective. Ghavam was the most independent prime minister of the 1940's. His premiership must have taught the Shah a lesson to be careful as to whom he appointed prime minister. After the fall of Ghavam in December 1947, the Shah was determined to secure his position. The Shah had to wait until after 1953 to find obedient politicians to carry out his will. One such politician was Alam who maintained a close association with the Shah up to his last days and often lunched and dined together apart from regular telephone conversations.<sup>50</sup>

The early 1940's was a difficult period for the Shah as he was not at liberty to reign and rule. His books, although they are not reliable memoirs, indicate that he was confused as to how he wanted to perform.<sup>51</sup> In the early years, he desperately needed the help of monarchists like Furughi and Soheily. After 1953, the Shah both reigned and ruled and added personal control over the oil policy and foreign relations but still he needed the assistance of monarchists as he

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<sup>49</sup> McGhee, *Envoy to ...*, pp 66-67.

<sup>50</sup> A member of aristocracy, he was appointed Governor of Sistan by Ghavam in his mid-twenties. He was Minister of Interior in 1950 but lost his position with the assassination of Razmara in 1951. He had various appointments between 1953 and 1962. In July 1962, Amini resigned and Alam succeeded him. However, with the Shah's approval, the leader of a new party, Iran Novin, succeeded Alam in March 1964. Soon later he was appointed as the President of Pahlavi University in Shiraz but returned to Tehran in December 1966 as Minister of Court. He suffered from leukaemia in his later years, resigned in 1977 and died in April 1978. The only other politician in recent history who enjoyed such a relationship with the monarch was Etemados-saltaneh, Minister of Publication in the court of Naser-eddin Shah.

<sup>51</sup> Pahlavi, *Mission for My Country and Answer to History*.

gradually became the centre point of Iranian politics and needed help to handle such a weight of business. The increase in the oil revenues after 1953 enabled the Shah to implement the White Revolution or the Revolution of the Shah and the People ! According to him the new generation of Iranain people would achieve the Great Civilisation with a promise of a productive life in which many problems of the population would be eliminated.<sup>52</sup>

In 1947, tribes were stronger than in 1941. The Kurds were still powerful, Bakhtiari in the centre and Ghashghais in the South drove the army out of Fars. Ghavam concluded an agreement with both of them. He offered them local control in return for support in the Majles. There was rivalry between the Shah and Ghavam. In retaliation for keeping the army out of politics in the South, the Shah took the initiatives for issuing tea and sugar licences to tribal chiefs in autumn 1947. The struggle between the Shah and Ghavam carried on throughout the year. Ghavam was much older and experienced than the Shah and independent. He opposed the expansion of the army and was reluctant to ask for American military aid. However, seeking a special position was not the American policy in Iran in 1947. Washington, in the case of the Irano-Soviet Oil Dispute of 1947, had indicated the fact that Iran should be free to decide.<sup>53</sup>

The Shah appeared to have used Hekmat to get rid of Ghavam. Ghavam rigged

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<sup>52</sup> The Shah's Great Civilisation was the extension of the White Revolution and had begun by the formation of Rastakhiz Party in 1976 under which all Iranians would enjoy a degree of social security unrivalled anywhere in the world ! The Shah's goals were beyond his capability. The vagueness surrounding his goals and his unpopularity with the nation resulted in disaster. An example is the administrative corruption and poor management which resulted in poor project selection as projects were often selected for their impact and vindication principle than for any long-run objective. The steel mill in Isfahan was constructed with Moscow's help for political reasons. The vast amount of funds was spent on the railway network in recognition of Reza Shah's original plan for railway, otherwise with less funding a network of feeder roads could have been constructed to integrate farmers into national economy.

<sup>53</sup> FRUS 1947 Vol 5 pp 938 958 960.

the 15th Majles election and had control over deputies through his Democrat Party. Yet Hekmat managed to lead half of the deputies into opposition. Influenced by the Shah, he turned against Ghavam and voted, in December 1947, for the Shah's candidate Hakimi a former prime minister.<sup>54</sup> Hakimi's government lasted for about six months and fell in June 1948 when Hazhir, a protege of Princess Ashraf, became prime minister. The nomination of Hazhir had provoked violent demonstrations by the followers of Kashani. Hekmat, later on became the Speaker of the Majles and with expectation of the Shah's support abandoned Ghavam. The politics of 1940's was filled with intrigues.

In 1949, the Shah again attempted to buy combatant weapons from Washington. America had to be careful not to alienate the Shah and force him to go to the other side. The State Department offered 25,000,000 dollars in credit. The Shah was jealous of Turkey and Moscow spread the rumour that Washington had made a secret agreement with Turkey allowing them to annex Azarbaijan.<sup>55</sup>

In 1949 there was an attempt on the Shah's life. On the 4 February, the Shah survived an attack at Tehran University and in the wake of the pro-Shah sentiments which resulted from the attempt, the Shah took the advantage by proposing that he should have the power to dissolve the parliament ! The Majles agreed with the Shah's plan for a Constitutional Convention. A Senate, envisaged in the Constitution of 1906 but never established, was to become a reality, in which the Shah would appoint half the deputies. The choice of the Minister of War as well as the Minister of Court was that of the Shah. He was Commander-in-Chief

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<sup>54</sup> The fall of Ghavam marked the beginning of a period during which the Shah acquired a better political position through loyal prime ministers. For a description of these governments see Azimi, pp 185, 193-225. The government of Razmara was an exception in that he appeared to be a threat to the Shah.

<sup>55</sup> FRUS 1949 Vol 6 pp 1668.

and through the Army could control elections in areas under military control. The pro-Shah forces had the power through Police and the Army, to prevent the crowds around the Majles. The political situation was so unstable that even during the Korean war Ambassador Grady commented that there was a possibility that Iran could adopt a pro-Soviet stance.<sup>56</sup> This was Razmara's power game. Not being able to obtain American commitment, he pretended to have shifted side. Iran signed a trade agreement with Moscow on 4 November 1950 and eased the restrictions against the Tudeh Party.

The Shah disliked independent prime ministers but in April 1951 and for the second time, he found himself to have little alternative except to appoint an independent prime minister. Mosaddegh was a leader of unprecedented popularity. The Shah disliked, perhaps hated, Mosaddegh. The Royal Court was involved in a bitter hostility between 1951-53 over limiting the Shah's power and the distribution of the Royal lands. The respect that Mosaddegh's name carried was such that the Shah remained obliged to publish vituperative attacks on him right up to his fall in 1979, ten years after the death of Mosaddegh. In 1965, all newspapers refused to place a message of condolence in the obituary column. The Shah was always interested in bolstering his power through the army: the subject of disputes with some of his prime ministers. The Shah's prime ministers of 1940's were all monarchists but only Ghavam was not keen on strengthening the Shah's position.

Even after 1953 the Shah was not at liberty to reign and rule. After signing a bilateral agreement with Washington in 1959, relations with Moscow deteriorated. The balance of payments deficit and inflation resulted from mismanagement of the economy. The downfall of Iraq's monarchy in July 1958 and mounting tensions

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<sup>56</sup> FRUS 1950 Vol 5 pp 569-587.

within Turkey convinced Washington to exert pressure on the Shah to introduce social reforms. The so called "white revolution" was the outcome of this. In pursuance of the Revolution of the Shah and the People, Amini, the ambassador to Washington, although distrusted by the Shah, was appointed prime minister. The Shah dissolved both Houses of the Parliament and all ministerial posts, apart from Foreign and Defence Ministries, were left to Amini's appointees. Amini had a row with the Shah over the budget for the army and resigned in July 1962.

### 3.8 Moscow and Oil

Returning to the politics of the 1940's, Moscow menaced Iran in 1944. The reason was not territorial expansion but oil competition. The competition for Iranian oil was actually started by the Iranians themselves and went on despite opposition by the American Ambassador in Tehran as well as American financial adviser, Millspaugh, who warned that it would jeopardise the allied relationship in Iran. The State Department supported both companies and in February 1944, they informed Iran of their backing. The West appears to have been satisfied with the situation as long as their interests in Iran were maintained. An example is their backing of the puppet regimes in the north of Iran at Moscow Foreign Minister Conference in December 1945 if Khuzestan, where the British oil industry was based, would also become autonomous ! Britain and Russia had, in 1907, divided Iran into three parts, the British zone of influence, neighbouring British India, the Russian zone of influence which covered the north, and a neutral zone including Khuzestan.<sup>57</sup> When oil industry was established in Khuzestan, Britain signed a secret agreement with Russia in 1915 dividing Iran into two zones of influence.

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<sup>57</sup> Browne, . Persian revolution, pp 150.

However, Britain despite its remarkable position in Khuzestan, was not passive. Representatives of the British Shell Oil arrived in November 1943 to survey Baluchestan followed by representatives of the Standard Vacuum in December and later on, by Sinclair Consolidated Oil and soon they presented the government with their prospective oil concessions. Standard Vacuum was the first one to arrive in March 1944, Shell in May followed by Sinclair in June. Obviously, Moscow was not prepared to remain silent. Soviets had a long history of intervention in the north of Iran and, in their view, there was strong justification for their anger. They had enjoyed a concession through their company Russo-Persian Naphta in 1896. In 1901, five northern provinces had been excluded in D'Arcy concession because of Russian influence. The 1921 Treaty of Friendship between Iran and Soviet Union forbade Iran from granting old Czarist concessions to a third party and finally they had asked Iran for cooperation to develop Kavir Khurian oil resources as recent as 30 August 1941, only 5 days after the invasion.<sup>58</sup>

Moscow originally did not object to this development but simply reminded Iran of their zone of influence. This may be attributed to the fact that they were already involved in illegal drillings in the north,<sup>59</sup> or may be because originally only Baluchestan was considered for oil surveys. However, prime minister Saed announced in April 1944 that north of Iran was also open for negotiations. This was a turning point in internal politics of 1940's and suggests that Iranian statesmen had, once again, resorted to the old Qajar policy of *movazeneh*.<sup>60</sup>

America had a good reputation in Iran until early 1950's and Iranian statesmen had, at several occasions, requested Americans for help to offset British position.

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<sup>58</sup> Lenczowsky, *Russia and ...*, pp 170.

<sup>59</sup> Elwell-Sutton, *Persian Oil*, pp 107.

<sup>60</sup> For policy of *movazeneh* see pages 37 and 59.



The New York banker, Morgan Shuster, arrived in 1910 to regularise the Iranian finances which were in chaos. President Wilson had supported Iran against the 1919 Anglo-Persian Treaty which was an attempt to turn Iran into a British protectorate. In 1941, Iran requested advisers for several ministries including Finance and Education, and by the end of 1943 there were 70 American advisers in Iran. At about the same time American General Schwarzkopf was in Iran to head the Gendermeri. Many Iranian statesmen were convinced that American assistance was needed and that is why on 4 May 1943 they conferred Millspaugh necessary power to carry out financial and economic reforms.

Meanwhile, Americans and Britishs were busy in Washington negotiating over future oil policies and reached an agreement on 8 August 1944 on the oil of the Middle East although as far as Iran was concerned, they never cooperated on the Iranian oil until oil was actually nationalised. Moscow, however, decided that it was time to act. In August, Tudeh Party opposed granting oil concessions to any foreign power and their deputy in the 14th Majles, Radmanesh, stated that if Iranians could build the Trans-Iranian Railway on their own, they should be able to exploit their oil reserves too. But opposition by a communist deputy was not enough and in September, Moscow dispatched deputy Foreign Minister, Kavtaradze, to Tehran. The aim of Kavtaradze visit to Tehran was formally discussing Semnan oil but in 1924, the concession had been confirmed by the Government and Kavir Khurian Oil Company was a legal company operating with no problem.<sup>61</sup> One interpretation supported by Millspaugh was that the real aim was to stop the West from gaining a better position in Iranian oil. Another interpretation was

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<sup>61</sup> For debates on this issue see Majles proceedings, 29 October 1944 and 2 December 1944.

that Soviets really wanted to take advantage of a politically weakened Iran and obtain an oil concession.

Kavtaradze met with Saed and demanded an oil concession in the five northern provinces. Despite Saed's promise to raise the issue with the cabinet, Kavtaradze wanted a definite answer. He met with the Shah early October 1944.<sup>62</sup> The rough manner of Kavtaradze created enough opposition amongst nationalists for Saed government to announce, on 16 October 1944, that no oil concession would be granted until the end of the war. Saed himself stated that he had made up his mind early September and before the arrival of Kavtaradze, but that was a political lie. Saed was an experienced politician and had adopted a good oil policy by tying the oil to troop withdrawal. The real reason behind the refusal was that Iran had, once again, decided to involve American interest in Iran, to create a rival for Britain and the Soviet Union.

The Tudeh Party ridiculed itself. In August, they opposed granting oil concessions to foreigner powers. In October, they launched a campaign against the government and arrange for mob demonstrations in Tehran and Tabriz to demand resignation of Saed. Kavtaradze remained in Tehran for another two months. His aim was most probably to remove Saed. The American Ambassador announced his government's support for Iran's sovereignty over oil affairs. This introduced a new element to Soviet foreign policy, the fact that Britain and the United States supported Iran. Soviet agents arranged for mob demonstrations and Soviet soldiers appeared in front of Majles during anti-Saed demonstrations. Under extreme pressure Saed resigned on 10 November 1944.<sup>63</sup> Bayat succeeded Saed but his policy

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<sup>62</sup> Skrine, pp 225-230.

<sup>63</sup> PRO FO 371/40242, Bullard to FO, 10 November 1944.

remained the same. He announced that no oil concession would be granted until Iran was evacuated. On 2 December Mosaddegh introduced a bill forbidding government officials of negotiating oil concessions without the approval of the Majles. The bill was ratified the same day with 80 votes against 7.<sup>64</sup> Kavtaradze called the bill a great mistake and left Iran on 9 December.

What happened in Iran in 1944 should be considered as a duel between Moscow and the West over the oil and it should be noted that it was arranged by the Iranian statesmen themselves and may be considered as the early of the cold war. It also had other consequences. Firstly, Tudeh Party which, until then, had been known as one of the many political parties, was ridiculed as a soviet toy. Secondly, oil became an issue for public debate. Thirdly, Mosaddegh who until then had only been known as a nationalist deputy, emerged as the author of the Oil Law and a nationalist hero. This was the first stage of the rise of Mosaddegh to the leadership of nationalists in 1950.

### 3.9 Rejecting Moscow

The oil issue again came up in 1946 during Ghavam's negotiation with Stalin over Soviet withdrawal. Ghavam rigged the 15th Majles election and had control over deputies through his Democrat Party. Yet by early 1948, Hekmat managed to lead half of the deputies into opposition. Hekmat, influenced by the Shah, turned against Ghavam and voted for the Shah's candidate Hakimi a former prime minister. Hakimi's government lasted for about six months and fell in June 1948 when Hazhir, a protege of Princess Ashraf, became prime minister. The nomination of Hazhir had provoked violent demonstrations by the followers of Kashani. Hekmat,

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<sup>64</sup> PRO FO 371/40242, Bullard to FO, 4 December 1944.

later on became the Speaker of the parliament and with exception of the Shah's support abandoned Ghavam. The politics of 1940's was filled with intrigues.

Ghavam was certainly the most experienced prime minister of 1940's. He was a cabinet minister even before the Shah was born. Unlike Mosaddegh he had no democratic sentiments, but he served Iran in 1946 by negotiating with Stalin to give up his policy over Azarbaijan in exchange for the imaginary oil reserves of the North. There is yet no proof of this but in view of Ghavam's character as an old Qajar-style crafty politician, one forms the opinion that Ghavam actually managed to mislead Stalin.<sup>65</sup> An example of Ghavam's craftiness is his treatment of Farrokh. Knowing that the province of Fars would be in chaos in the absence of Governor Farrokh, he summoned the Governor to Tehran. The Governor arrived to find out that Ghavam had left for Moscow the very same morning.

Ghavam's idea was to keep the British busy with unrest in Fars whilst he was negotiating with Stalin in Moscow. Ghavam's favouritism for the Tudeh caused concern in Washington and London although this was most probably a part of his power game. Britain was concerned over its oil interests and could not allow oil nationalisation.<sup>66</sup> On the American side, Ambassador Allen contacted Ghavam over the same issue many times but Ghavam claimed credit for restoring authority in Azarbaijan.<sup>67</sup> Ghavam's resignation in 1947 was the end of his political career although he served as prime minister for few days in 1951.<sup>68</sup>

Moscow menaced Iran in 1946 by refusing to leave. However, their attempt

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<sup>65</sup> With the collapse of the Soviet Union it might be possible to unearth documents revealing the details of Ghavam's negotiations with Stalin.

<sup>66</sup> FRUS 1946 Vol 7 pp 518.

<sup>67</sup> Rossow R, "The Battle of Azarbaijan", Middle East Journal, Vol 10, 1956, pp 26-27.

<sup>68</sup> ONeal, pp 108.

to secure an oil concession in the north had an important consequence in relation to the oil nationalisation as it stirred up public feelings. The continuing unrest in the north west of Iran in 1946 prevented the Majles elections to be held. Moscow was anxious to see Irano-Soviet Oil Concession ratified. When it was announced in Tehran that the elections would be held in January 1947, Western observers detected Moscow's impatience indicated to Iran in a diplomatic note although Iran denied it.<sup>69</sup> The Tehran elections was to be held from 11 to 17 January but Ghavam's opponents believed that the elections would be rigged. On 12 January, Mosaddegh led a group of officials to the Shah's palace asking for a fair election. The Shah refused to meet them. The provincial elections were held later on and by the 21 February, the 15th Majles deputies had been elected with a majority for Ghavam and 2 Tudeh deputies. The election results were vital as Ghavam had to face the Irano-Soviet oil issue in the Majles.<sup>70</sup>

The British position at this time was of great importance. In view of India's independence, anti-colonial aspirations of the third world countries and growth of the Iranian nationalism after the war, Britain must have suspected that oil nationalisation would be desired in Iran. Ambassador Le Rougetel told Ambassador Allen that it would be inadvisable for Iran not to grant an oil concession to Moscow. This suggests that Britain was anxious to protect the Iranian oil industry by granting a similar oil concession to Moscow. This was not unusual for Britain as it had divided Iran with Moscow once in 1907 and again in 1915.<sup>71</sup> At Moscow's Foreign Ministers Conference, they suggested autonomous northern republics in return for the recognition of the oil industry in Khuzestan. Allen was doubtful

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<sup>69</sup> New York Times, 1 January 1947, pp 21.

<sup>70</sup> Jones, pp 58.

<sup>71</sup> See page 57.

and believed that the concession would result in Moscow's economic penetration in the area. He expressed a view that such a concession could be supervised by the United Nations.<sup>72</sup>

On 25 February 1947, Acheson, presented his view of the situation in the Near and Middle East. He believed that a communist victory in Greece would threaten Iran's independence and open avenues for Soviet expansion into Africa and Asia.<sup>73</sup> At this time, Moscow exerted a great deal of pressure on Greece and Turkey but Truman's Doctrine of 12 March 1947 blocked Moscow in the area. Churchill believed that Moscow would give way as they were not prepared to go to war in 1947. In his view, Soviet action in the area was to test the American reaction and that their action could be dealt with through the United Nations.<sup>74</sup> The Shah was pleased with the Truman's Doctrine and expressed desire for American military aid. He believed that Turkey had a large foreign trade exchange than Iran justifying aid to Iran. Washington, however, considered Iran to have oil revenues and only offered 25,000,000 dollar credit to purchase military supplies.<sup>75</sup>

In the Spring of 1947, Iranian Army began the process of tribal disarmament which resented the tribal chiefs. Knowing that the Shah disliked him, Ghavam decided to win tribal political support. The tribal leaders were invited to Tehran. Ghavam offered protection against the army in return for political support in the Majles. Ghavam appeared to be unwilling to offer Moscow the oil concession as in June 1947 he informed the British Ambassador that he might have to attack the oil company to be even-handed in rejecting Moscow.<sup>76</sup> This is supported by

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<sup>72</sup> FRUS 1947 Vol 5 pp 891-893.

<sup>73</sup> Acheson, Present at..., pp 219.

<sup>74</sup> New York Times, 12 April 1947, pp 1.

<sup>75</sup> FRUS 1947 Vol 5 pp 901-904 916.

<sup>76</sup> PRO FO 371/62047, Le Rougetel to Foreign Office, 27 June 1947.

the single clause inserted in the law of 22 October 1947 asking the government to negotiate for better terms with the oil company. Gass described the single article in the hand of Iranian politicians as "*a stick with which to belabour us*".<sup>77</sup> Gass returned to Tehran in 1949 to conclude the Supplementary Agreement.

The 1944 episode was to be repeated in 1947. Ghavam made arrangements with Stalin to offer an oil concession in the North in return for Troop withdrawal from the North. The concession was contingent on Majles approval. Ghavam expressed his worries to Ambassador Allen in the early summer 1947 over the prospect of a Majles approval of an oil concession to Moscow. He desired negotiations with Moscow for better terms but feared that Moscow would see this as a tactic to delay Majles approval and lead to a Soviet invasion of Iran. He asked Allen for American support in case of an invasion.<sup>78</sup> The Shah opened the 15th Majles on 17 July 1947 and emphasised important issues including the oil bill. Ambassador Sadchikov pressed Ghavam for the approval of the oil proposals. Moscow must have seen the oil proposal as an international agreement but Ghavam perhaps saw it obtained by intimidation bearing in mind that under Mosaddegh's Oil Law of 2 December 1944, negotiations over oil issues with foreign powers were illegal as long as Iran remained occupied.

Ghavam knew that negotiations itself would be a burning political topic in the Majles. In the summer 1947, the intelligence reports indicated Soviet formation near Iranian border but Secretary Marshall did not believe that a Soviet invasion would be imminent that summer. Marshall was in favour of military aid to Iran but not in excessive quantities as this would mount a Soviet propaganda barrage

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<sup>77</sup> BP 9257, Gass reporting to Fraser from Tehran, 3 December 1947.

<sup>78</sup> FRUS 1947 Vol 5 pp 913-914.

claiming that Iran had been turned into a base for future operations against the Soviet border. He believed that Iran should maintain a good relationship with all foreign powers.<sup>79</sup>

In February 1946, Stalin announced that he needed to double his oil production capacity. Domestic resources were insufficient to achieve his goal.<sup>80</sup> Sadchikov continued pressing Ghavam for Majles ratification. He did not show much patience and it appeared that Moscow was anxious to obtain the same oil rights that Britain had in Khuzestan. Allen saw this as a sign that Moscow did not believe that they would achieve an oil concession in Iran.<sup>81</sup> This should be taken as Allen's own view as by the end of the August 1947, Washington took a firm view and believed that the Soviet oil concession would be the beginning of Moscow's infiltration into Iran. Washington must have been worried about their oil industry in Bahrain and Saudi Arabia. The loss of Iranian independence would be detrimental to American interests in the area.

No promise was made to help Iran militarily should Iran be attacked. Washington, however, believed that in case the oil proposals were rejected, Iran should promise to arrange for future oil sales to Moscow at a fair world market price.<sup>82</sup> In Tehran opposition to the oil proposal was fierce. Ghavam delayed presenting the oil agreement to the Majles. Most probably he was worried about the consequences of a rejection or ratification. Moscow would be resented if the oil proposal was rejected. Ghavam could not have seen the oil proposal ratified as he had no intention of granting an oil concession but only to secure Soviet withdrawal as he

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<sup>79</sup> Ibid, pp 945-946 924-927.

<sup>80</sup> Caroe, pp 75-76.

<sup>81</sup> FRUS 1947 Vol 5 pp 931-936.

<sup>82</sup> Ibid, pp 940.



stated later on to the Majles.

Mosaddegh was not a deputy but he had great influence over parliamentary procedures. He accused Ghavam of breaking the law by negotiating oil whilst Iran was occupied in 1946.<sup>83</sup> On 14 September 1947, Ghavam made a statement to the Majles emphasising that the government should have good relationship with all countries but they should not intervene in Iranian affairs. Ghavam must have meant Moscow. He expressed a desire to have a vote of confidence before presenting the Majles with the oil proposals.<sup>84</sup> The Majles was not ready to offer a vote of confidence until Ghavam expressed his views on the oil proposals to which he replied to individual deputies that he had not promised anything to Moscow except to present the proposals to the Majles. On 28 September deputy Masudi made a long speech criticising Ghavam for failing to ensure that only Iranian capital and labour would be used in the exploitation of the northern oil. Ghavam and 90 deputies left in protest.<sup>85</sup>

In Tehran there was suspicion as to the position of London and Washington. It appeared that Washington had adopted the British position to grant the concession.<sup>86</sup> To clarify the American position, Ambassador Allen made a speech before the Iran-America Society in Tehran emphasising that Washington would respect Iran's sovereignty and protect Iran from threat and intimidation. The British embassy in Tehran confirmed that British position was the same.<sup>87</sup> As it seemed likely that the oil proposal would be rejected, the State Department studied Moscow's possible course of action. It was considered that Moscow might instigate a guer-

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<sup>83</sup> New York Times, 8 September 1947, pp 4.

<sup>84</sup> New York Times, 15 September 1947, pp 1.

<sup>85</sup> New York Times, 29 September 1947, pp 1.

<sup>86</sup> FRUS 1947 Vol 5 pp 951.

<sup>87</sup> Ibid, pp 953.

rilla war by tribes to cause civil unrest in northern provinces. This would result in the deployment of the Iranian Army near border justifying a possible Soviet intervention.<sup>88</sup> Washington finally decided that Iran should be offered economical aid to strengthen its position.<sup>89</sup>

In October, Moscow moved troops near the Iranian border. Ghavam must have been worried that under the Irano-Soviet Treaty of Friendship of 1921, Moscow could advance into Iran. Ambassador Allen suggested that Ghavam should call upon Sadchikov.<sup>90</sup> On 5 October, Ghavam obtained a vote of confidence of 93 out of 120. The Majles had approved the government's stand to Moscow.<sup>91</sup> According to Ambassador Allen, Ghavam planned to propose the Majles with two plans. One was to employ foreign experts to explore the oil under direct government supervision. The other was to establish an Irano-Soviet Oil Company with 51 per cent shares to Iran. Allen believed that the Majles would reject a joint company.<sup>92</sup> On 22 October 1947, Majles rejected the Irano-Soviet Oil Agreement with a vote of 102 to 2. Only 2 pro-Tudeh deputies voted in favour.<sup>93</sup>

The Majles, however, required the exploitation of the oil resources through Iranian financial means. Not to resent Moscow, they agreed that Moscow would be allowed to purchase Iranian oil at world market price. The Majles also required better terms from Anglo-Iranian Oil company.<sup>94</sup> This law had five clauses as listed below. It was clause E which led to the formulation of the Supplementary

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<sup>88</sup> Ibid, pp 960.

<sup>89</sup> Ibid, pp 962-963.

<sup>90</sup> Ibid, pp 963-964.

<sup>91</sup> New York Times, 6 October 1947, pp 10.

<sup>92</sup> FRUS 1947 Vol 5 pp 967-968.

<sup>93</sup> Ibid, pp 969.

<sup>94</sup> New York Times, 23 October 1947, pp 1.

Agreement and its subsequent rejection.<sup>95</sup> It was possible that deputies decided that Clause E was needed to give Moscow the impression that Britain was not in a better position over the oil issue. However, as noted by one British official it provided the basis for the nationalisation of the oil industry.<sup>96</sup>

The rejection of the Irano-Soviet Oil Agreement was an important event in 1947. The oil had already become an issue for public debate in 1944 when Kavtaradze arrived in Tehran to negotiate oil. In 1947, the electoral campaign for the 15th Majles caused a lot of public excitement as the oil proposals were to be a major issue for Majles debate. The occupation of Iran had ended and puppet regimes in the north west had crumbled. It was as if the public felt that it was time to assert their dignity. Ghavam expressed a desire to secure public satisfaction over the Anglo-Iranian oil concession but he had no democratic sentiment. On 10 December 1947, most of his cabinet resigned and he was given a vote of no confidence. There were two candidates to replace him. Hekmat received 72 votes and Mosaddegh 31 out of 106 votes but Hekmat could not form a cabinet. In the second round, Hakimi received 54 votes and Mosaddegh 53 ! Had Mosaddegh been able to form a government the events of the future years would have been different.

The politics of Iran in the 1940's was full of opportunities. One such opportunity was the fall of Ghavam in December 1947 for General Razmara, the Shah's Chief of Staff, to take hold of Gendarmerie. Razmara had been encouraged because ambassador Allen was about to leave Iran ! One day in January 1948,

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<sup>95</sup> Clause A referred to the law of 2 December 1944 under which negotiations over oil concessions without Majles approval were null and void, Clause B instructed the government to carry out a survey of the oil prospects, Clause C forbade grant of further oil concessions without Majles approval, Clause D provided for the sale of the northern oil to Moscow, and Clause E required the government to regain Iran's national rights over the southern oil.

<sup>96</sup> PRO FO 371/61974, Pyman minutes, 25 October 1947.

Major General Kupal arrived at Gendermeri headquarters and announced himself in charge. The conflict dragged on and in June 1948 Shwarskopf was instructed to leave for Germany. Gendermeri eventually became a part of the army in mid-1949. Some 5000 personnel still remained under GENMISH control.<sup>97</sup> Not only the GENMISH even over the extension of the ARMISH contract Iran backed down in October 1948. One problem with the army was that it was a major threat to the civilian control of power. The other was that corruption was common even amongst the top officers. The honest officer could not advance and the Shah was unwilling to dismiss senior officers. The monarchists policy from the early days of the occupation was to bolster the Shah's power. He was traditionally head of the army and the strong army was justified by the internal unrest. In the 1940's, 9 out of 12 prime ministers belonged to the titled families.

### 3.10 Conclusion

The occupation of the south of Iran by British troops in August 1941 may have looked like a relief for the oil company officials. A new era, however, began in the history of the Iranian oil industry. Only five days after the occupation Moscow demanded development of the Kavir Khurian Oil Concession.<sup>98</sup> Monarchists, worried about the Shah's shaky position, needed a third power into the power game in Iran. Their attempts to involve Washington resulted in two American oil company surveying Iran for new oil resources in 1943. Moscow's response to this was the dispatch of Kavtardze to Tehran in September 1944. Monarchists achieved their goal when arrival of a high ranking Soviet official stirred up the public sen-

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<sup>97</sup> GENMISH was the American mission to Iranian Gendermarie and ARMISH the mission to the Iranian Army. Shwarskopf served in Europe for several years. He returned to Iran just before the coup in August 1953 to see old friends !

<sup>98</sup> Lencowski, *Russia and ...* , pp 171.

timent and caused heated Majles debates. Mosaddegh used the opportunity to obtain an oil law banning granting further oil concessions until Iran was evacuated from foreign troops. The public had been aware of the oil issue for the first time. Moscow's aggression against Iran and the attempts to obtain oil concessions in 1944 are explained in details in Chapter 4.

All the Shah's prime ministers of 1940's were monarchists but only Ghavam did not support bolstering the Shah's power through the army. In September 1941, Furughi lost the opportunity to declare a republic. Majority of Majles deputies of this period were monarchists or supported the government. This did not have much to do with election rigging. The landowners, for instance, could be elected in rural areas with the help of peasants and their agents. The 13th Majles deputies had been elected under Reza Shah who used to call the Majles, a stable ! but after his abdication most of the deputies lost no time to criticise him for his wrongdoings.<sup>99</sup> The 14th Majles also saw a handful of independent deputies such as Mosaddegh. The election for the 15th Majles was perfectly rigged by Ghavam but the same Majles went against him in 1947. The 1940's was supposed to be a period of pluralistic rule but, as before, the idea of parliamentary rule in Iran failed once again. Factionalism ruled over the Majles rather than ideology or parliamentary procedures.

In 1940's, oil was the centre of power conflict in Iran. Moscow demanded development of the Kavir Khurian Oil Company only 5 days after invasion in 1941. In 1942, monarchists were keen on dragging Americans into oil competition in Iran. In 1943, American oil companies surveyed Iran. The arrival of Kavtaradze in 1944

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<sup>99</sup> In the absence of political establishments, the opponents had to wait until the Shah abdicated to criticise him ! Similarly, Khrushchev had to wait until 5 days after the death of Stalin to call him a criminal !

caused an oil crisis which received international attention. Ghavam offered an oil concession to Stalin in 1946 to secure Moscow's withdrawal. The rejection of this concession in 1947 directed public attention to the oil issue. Monarchists negotiated with the oil company for better terms in 1948 and came up with an agreement to supplement the 1933 Oil Concession. The secrecy of their negotiations was fiercely criticised by the press and Majles opposition. A domestic crisis was resulted from the rejection of the Supplementary Agreement in 1949. The oil became a major electoral issue in autumn 1949 which provided for the election of the leading nationalists and the rise of the National Front in 1950.

The 1940's witnessed major political changes in Iran. This was brought about by the Allied occupation. The authoritarian system apparently collapsed quickly but the pluralistic political system promised in the early 1940's never materialised. Clerics who had been incapacitated by Reza Shah became politically active although they never formed a political party. Oil was a major factor in policy making both in Iran and abroad. There are several examples of this ; the involvement of the American oil companies in Iran in 1943, the dispatch of Kavtaradze in 1944, Ghavam's tactics to secure the Soviet withdrawal by offering an oil agreement and the rejection of this agreement in 1947. A better example is Clause E of the law of 22 October 1947 which, as mentioned earlier, governed Iranian oil policy for the next few years.

The impact of the law of 22 October 1947 and its consequences for the oil industry is the subject of Chapter 5.

## Chapter IV

### International Politics and Iran

The German invasion of the Soviet Union in June 1941 and the threat to the oil fields of Baku created the need to assist the Soviet Union in its efforts to contain the German expansion. The lend-lease agreement of March 1941 provided for the supply of thousands of tons of war goods to Britain, Soviet Union and other United Nations members. Allied planners had to find the best route for the safe delivery of goods to the Soviet Union. Supplies could only reach the Soviet Union via the route to Murmansk, the Pacific Ocean and through Persian Gulf and Iran. The Scandinavian route was not operational in winter and the Pacific was under Japanese threat. The Trans-Iranian Railway, which came to be known as the Persian Corridor or *bridge to victory*, appeared to be the only safe route.

Britain had decided to invade Iran as early as 21 July 1941.<sup>1</sup> Iran had declared its neutrality on 4 September 1939 but London and Moscow both suspected that Iran might become a centre for German activity to control the Persian Gulf area. The possibility of a German invasion of Iran, no matter how remote, was a matter of concern for the Allies. Germany had invaded Yugoslavia on 6 April 1941 and Greece a few days later. In the North Africa, a German offensive began towards Egypt and Lebanon and Syria were under the control of the Vichy France. So far as Britain was concerned, Reza Shah had turned to Nazi Germany in 1935 and even in 1941, nearly 2 years after the start of the war, pro-German sentiment in

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<sup>1</sup> Churchill, pp 424. FRUS 1941 Vol 3 pp 401-403 415.



Iran at the time of occupation, 1941.



Iran, as well as in Arab countries, was so high that the Mojtabeh of Jerusalem who had led a revolt against Britain, and Rashid Ali, the leader of the anti-British coup in Iraq, were both granted asylum in Iran. It was as if there was a pro-German government in Tehran.

The German-inspired Iraqi coup of 2 April was a matter of such concern for Britain that only 6 days later Churchill directed that the rebellion be suppressed before the Nazis could intervene. Furthermore, Iran had not responded properly to the Alliance demands for the expulsion of some 2000 Germans working in Iran<sup>2</sup> and as far as oil was concerned, Abadan refinery was the largest in the world and the only source of 100-Octane aviation fuel east of Suez. Moscow, however, had a better justification for the invasion. According to Gromyko, Iran was occupied in accordance with Article 6 of the 1921 Treaty of Friendship with Iran !<sup>3</sup>

## 4.1 Special Relationship

In view of its *special relationship* with Britain, Washington also had to be concerned about the possible German invasion of the area.<sup>4</sup> There is controversy as to when the special relationship had actually began. Some writers believe that the relationship was deeply rooted in history as two countries were closely associated in early colonial time.<sup>5</sup> Nicholas believes that only since the First World War, Britain gave highest priority to establishing and maintaining close understanding with Washington.<sup>6</sup> There are others like professor Bell who believe that 1940 is a more appropriate date for the start of the specially close special relationship. The

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<sup>2</sup> FRUS 1941 Vol 3 pp 383-385 401-403 405-406. Fatemi N S, pp 187-189.

<sup>3</sup> Ponomarev, pp 429.

<sup>4</sup> Memorandum of Conversation by Secretary of State 22 August 1941.

<sup>5</sup> Baylis, pp xi.

<sup>6</sup> Nicholas, pp 22-26.

same view has been expressed in a study by the Council on the Foreign Relations and the Royal Institution of the International Affairs in 1953.<sup>7</sup> They suggest that it was during the Second World War that cooperation was raised to a new level *never before realised* by other states.

Winston Churchill in his famous speech at Westminster College in Fulton, Missouri on 5 March 1946 also mentioned the date 1940. He emphasised on the continuity of the relationship "*as the only means whereby the safety of the parts of the world ... could be maintained*".<sup>8</sup> For Britain at least since 1940 the relationship with Washington has been more important than the relationship with any other state. It was in support of this relationship that Washington, which up to this time had always condemned aggression anywhere in the world, refused to condemn the Anglo-Soviet occupation of Iran and even did not officially respond to Reza Shah's last-minute request for help.<sup>9</sup> It was in view of the Anglo-American special relationship that Washington positively responded to a British request for help in Southern Iran. In later years and during the cold war, it was obvious that Britain, because of the decline of the British Empire and exhaustion of the British Treasury, was unable to handle the Soviet Union on its own and had to maintain a closer relationship with Washington.<sup>10</sup>

However, as far as relationship with Iran was concerned formal Irano-American political relationship had begun in 1883 but due to the fact that up to the late 1930's Iran was a minor factor in American diplomacy, official intercourse was insignificant. In 1910, New York banker, Morgan Shuster, was employed by the

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<sup>7</sup> Leuchtenburg, pp 61-63.

<sup>8</sup> Loth, pp 108-109.

<sup>9</sup> FRUS 1940 Vol 3 pp 701. FRUS 1941 Vol 3 pp 352-373 388-399 418-419.

<sup>10</sup> Bullock, pp 118 241-246 348-351.

Iranian Government as a private employee to regularise Iranian finances. In 1922, Millspaugh was employed by Iran in a private capacity to advise Iranian Government with regard to finances and economy. In the late 1920's, Iran started the construction of the Trans-Iranian Railway which took seven years to complete and cost 40,000,000 pounds and it has been said that were it not for the strengthening of the Iranian economy by Millspaugh, Iran would not have been able to complete the project which was so vital for the success of the Alliance. However, up to the occupation of Iran US Government's attitude towards Iran was one of neutrality and advised Americans working in Iran that they would not be supported.

## 4.2 Policy of *Movazeneh*

In bringing Americans into the politics of Iran in the 1940's, monarchists played an important role. When Iran was occupied the Shah was only a young man of 22 with an insecure position. He did not possess any of his father's physical presence which was needed in those days to influence others and with the exception of his father's supporters, no one paid much attention to him. Iran was in a state of chaos, local khans had assumed self-rule, Government's authority outside the capital did not carry much weight and communist influence in the north was increasing.<sup>11</sup>

Moscow was traditionally an enemy and Britain, as well as being an enemy, was not interested in Pahlavi Dynasty either, a situation which created fears that Iran could be divided as it had been in 1915 in a secret agreement. Regardless of the Shah's position, American involvement was needed to weaken Anglo-Soviet position in Iran. The Monarchy, therefore, had no choice except to resort to the old policy of *movazeneh*. or using one power as a foil against another and the

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<sup>11</sup> For details see Lencowski, *Russia and ...*, pp 167-248. Bullard, *Britain and ...*, pp 132-146.

only choice was once again America, a distant and, as it seemed to be at that time, a disinterested and trustworthy outsider with no sinister intentions in Iran. America only entered into world politics in 1917. However, it was soon realised that continued American support depended on self-interest than disinterest.<sup>12</sup>

America had a good reputation in Iran before 1941 and during the war years as Britain and the Soviet Union were treated with dislike and distrust for the occupation of Iran. Some Iranian nationalists had appealed to President Wilson in opposition to Lord Curzon and the 1919 Anglo-Persian Treaty. In the early 1940's Iranian statesmen contacted American oil companies to search for oil in the north. There is evidence that in 1951 some nationalists were still hoping that America would help them with regard to oil nationalisation.<sup>13</sup> The decision to involve American in Iran appears to have been a unanimous decision taken by monarchists. The Shah himself was very much in favour of America, and Arfa, chief of Staff, was in favour of military aid.<sup>14</sup> The Shah's prime ministers of early 1940's were also pro-American which explains why Iranian Government was so quick in applying for aid. Only two months after the invasion, in November 1941, Iran requested American economic advisers and expressed desires to sign a trade agreement.<sup>15</sup> Even before that, on 8 October 1941, American Ambassador had a lengthy audience with the Shah during which the Shah expressed the desire to rule by law.<sup>16</sup>

The actual opportunity for directing attention to Iranian needs, however, came in March 1942 when the Allies declared Iran eligible for lend-lease aid. This marked

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<sup>12</sup> FRUS 1943 Vol 4 pp 331-32, Jernegan memorandum, pp 413-414 420-426.

<sup>13</sup> Keihan, 28 Dei 1328 (18 January 1950).

<sup>14</sup> Arfa, pp 325.

<sup>15</sup> Iran, 16 Aban 1320 (7 November 1941).

<sup>16</sup> FRUS 1941 Vol 3 pp 470-471.

the beginning of the Anglo-American cooperation in Iran and for the monarchists, the opportunity they had wanted, for the Shah's power could be bolstered through strengthening the army. In Iran, the Shah and the army have never been separated and in 1940's the Shah was still traditionally in control of the army. He had graduated from a military school in 1938 as a second lieutenant and became an inspector in the army. He formally requested for American military aid in person when he met Harriman in August 1942.<sup>17</sup>

The Shah had definitely chosen the best time for help. The Axis Forces had made military advances in the Soviet Union towards Caucasus and in the Middle East towards the Suez canal. The surrender of Tobroq on 21 June 1942 and massive German drives towards Stalingrad in July created the fear that Iran could also be invaded. Iran had requested advisors in January 1942 and Washington was willing to help. In April 1942, Wallace Murray described American efforts as "*our desire to bolster the somewhat shaky position of the present Iranian Government*".<sup>18</sup>

The dispatch of American army officers to advise the Iranian Army was now considered desirable. Subsequently, Colonel Schwarzkopf was suggested by the State Department to re-organise the Iranian Gendarmerie which became known as GENMISH. He had a reputation for organising the New Jersey State Police in 1920's. In Iran he headed a large force and his work had domestic implications in dealing with tribes.<sup>19</sup> The Gendarmerie had to collect tax and suppress local unrest which resented the leftists as well as landowners in the Majles. On 20 October 1942, D H Connally, arrived to take the command of the Persian Gulf Command. His task was to facilitate the transport of lend-lease supplies to the

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<sup>17</sup> Harriman, pp 165.

<sup>18</sup> Quoted in Motter, pp 162.

<sup>19</sup> FRUS 1944 Vol 5 pp 393-395.

North. Washington had developed a huge level of war production for its own use and those of its allies. The end, however, came to the Persian Gulf Command in May 1945 after transporting 17.5 million tons of supplies through Persian Corridor including over 2000 planes.

Washington also dispatched Major General Ridley to advise the Iranian Government on service of supply matters affecting the Iranian Army a mission which became known as ARMISH. Ridley and Schwarzkopf were independently responsible for advising the government and took no part in commanding American troops. The arrival of 5000 service troops in December 1942 was a turning point in that it changed the American position from voluntary helpers to fully responsible operators by 1 May 1943 when they assumed full control of movement in Iran. The German military threat to Iran had been removed by early February 1943 when Stalingrad was cleared from the last Nazi forces.

The Shah's prime ministers of early 1940's were in favour of American intervention. Sohaily was the first pro-American prime minister to take office. From March to July 1942 he advocated advisory missions. Ghavam succeeded Sohaily in July to persuade the same policy of attracting Americans. The US Government had now changed its attitude of neutrality and when towards the end of 1942, Iran requested economic advice, Millspaugh was nominated, this time sponsored by the US Government to take up the post of Administrator General of Finances early 1943, but Washington still did not appear to have a formal policy in Iran. The unofficial aspects of American interests in Iran had gradually necessitated providing a guideline. In February 1943, Secretary of State gave his approval to a policy paper on Iran prepared by Jernegan for the internal guidance. The paper read "*internal situation justifies fears that Iran may prove a danger point when we come to the*

*post war settlement*".<sup>20</sup> On 8 April, Iran and America signed a trade agreement.<sup>21</sup>

Another turning point in the development of American policy in Iran was Sohaili's second term in office in February 1943 in that he initiated the campaign to attract American oil interests. The existence of this policy of attracting American oil companies has been confirmed by Iranians involved.<sup>22</sup> In this respect American oil interests and the US foreign oil policy has to be investigated in detail. Early this century United States was in possession of adequate oil reserves within its own borders. However, the increasing domestic as well as foreign demand had created fear of oil depletion. In 1919, for instance, American oil industry supplied 60 to 70 per cent of the world oil demand.<sup>23</sup> The British oil companies were in possession of 50 per cent of the world's oil reserves.<sup>24</sup> The State Department was active in giving diplomatic assistance to Americans seeking concessions abroad.

In 1923, they severely protested at the Lousanne Conference against the 1920 Anglo-French Agreement at San Remo to divide Balkan and Mesopotamia oil reserves between themselves and continued in 1930's to respond to requests for diplomatic assistance.<sup>25</sup> New oil reserves had been discovered in Texas, Oklahoma and California since 1924 which removed the fear of depletion and abroad, by 1928, in addition to the West Indies, American oilmen had, for the first time, secured footholds in Mesopotamia by holding 23.75 per cent shares in Turkish Petroleum Company. Later on, after 5 years drilling, Aramco discovered oil in Saudi Arabia in 1938 and began production immediately after the Second World War, but in

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<sup>20</sup> FRUS 1943 Vol 4 pp 330.

<sup>21</sup> Ibid, pp 296-298.

<sup>22</sup> Arfa, pp 325. Fatemi, *Oil Diplomacy*, pp 219-224, 234.

<sup>23</sup> Tulchin, pp 120-121. De Novo, pp 854-876.

<sup>24</sup> Tulchin, pp 134-154.

<sup>25</sup> Nash, pp 52 81-86. Beaton, pp 230-234. Wilkins pp 206-241.

1940 and in view of the intensifying war, the oil companies would be affected by the course of the international affairs. Until then, it had been left to the oilmen to conduct their own business in foreign countries<sup>26</sup> but now the need for a foreign oil policy was obvious. In Saudi Arabia, for instance, the oilmen of Standard Oil and Texas Company believed that only government's assistance could save their interests. They had been dragged into the Middle Eastern oil competitions for the very obvious reason that the impact of the war and its drain on American oil reserves had to be reduced.

The role played by the American oil companies was significant in that between December 1941 and August 1945, seven billion barrels of oil had been used by the Allies of which six billion was supplied by the United States.<sup>27</sup> Besides the oil discoveries had made the Middle East a centre of oil production after the war. Ickes had foreseen the possibility of oil shortages due to the war as early as 1941 and had advocated American development of Arabian oil through a federal company rather than private firms.<sup>28</sup> The Joint Chiefs of Staff also recommended, in a report to Roosevelt on 8 June 1943, the creation of a government body to acquire oil concessions abroad specially in Saudi Arabia.<sup>29</sup>

It was with this view that they responded positively to the approach made by the Iranian Attache and sent their representatives to Iran in autumn 1943 to carry out surveys outside the area covered by the Anglo-Iranian Oil Company. The State Department also assisted them by using diplomatic channels for negotiations and provided them with communication facilities and equipment for surveying.

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<sup>26</sup> Paterson, pp 1-29.

<sup>27</sup> Jacoby, pp 37.

<sup>28</sup> FRUS 1943 Vol 5 pp 461.

<sup>29</sup> FRUS 1943 Vol 4 pp 921-922 925-930.



It is interesting to notice that Washington told Britain that those activities were strictly commercial.<sup>30</sup>

The campaign launched by Sohaily to attract American oil interests was successful but Sohaily made another move to obtain American support. During their conference in Tehran, in November 1943, he seized the opportunity for asking the Alliance, to guarantee Iran's sovereignty in a declaration, and President Roosevelt saw in this an opportunity to resolve the legal status of American troops in Iran. The declaration of 1 December 1943 guaranteed Iran's sovereignty and recognised the need to strengthen Iran's economy.<sup>31</sup> The American policy was then based specifically on this declaration.<sup>32</sup>

The Anglo-American Oil Conference of July 1944 was an opportunity for Saed who had replaced Sohaily in March 1944 to intensify attracting American oil interests. Early December 1943, Secretary Hull had asked Britain for oil discussions. The Anglo-American cooperation was needed to develop the Middle East reserves to supply Europe so that domestic American reserves could be conserved.<sup>33</sup> Moscow was, however, concerned about the Western attempts to seek oil concessions in Iran which resulted in a battle between the Soviet Union and the West in Iran before war ended in Europe. The battle actually started when Kavtaradze, the Soviet deputy foreign secretary, arrived in Iran in September 1944. Soviet policy was generally anti-Western not anti-British only, but in view of American attempts to obtain oil concessions, Kavtaradze position was anti-American. Moscow also accused America of being in Iran illegally despite the fact that American presence

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<sup>30</sup> Ibid, pp 627.

<sup>31</sup> The Iranian Government's response to the Tehran Conference was one of jubilation. Three main streets in Tehran were named after Churchill, Roosevelt and Stalin.

<sup>32</sup> Motter, pp 471.

<sup>33</sup> Feis, pp 138.

had been legalised in the Declaration of 1 December 1943.

In July 1944, American Embassy in Tehran received an informal policy paper which read *"the President and the Department have considered Iran as something of a testing ground for the Atlantic Charter"*.<sup>34</sup> The War Department was reluctant, for military reasons, to maintain troops in Iran but on 25 October the State Department reminded them of the *"desire to strengthen that country so that it may maintain internal security ... which breed foreign intervention"*.<sup>35</sup> In December, State Department classed Iran as an area *"where inter-Allied friction might arise"*, which proved correct in Azarbaijan a year later,<sup>36</sup> but American policy was still restricted militarily to supplying the army, police and Gendarmerie, and economically to advising certain ministries. The Shah was, however, as persistent as ever in requesting American aid. In September 1945, he wrote to Truman reminding him of Iran's assistance to facilitate supplies to the Soviet Union and requested postwar assistance.

The war ended in 1945 but Iran, as many times before, was to suffer from power rivalry. Since the invasion, Soviet attempts in the north to create satellite states had become obvious and it was the creation of two puppet republics in 1945 which changed the entire inter-Allied relationship and caused a major international crisis. The separatist movement in the north was the result of at least four years of intensified campaign by Tudeh Party and associated groups which had frustrated Iranian pro-Shah governments. Now it was the Shah's turn to seize the opportunity and apply for American intervention.<sup>37</sup>

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<sup>34</sup> Quoted in Motter pp 445.

<sup>35</sup> Ibid, pp 471.

<sup>36</sup> Ibid, pp 472.

<sup>37</sup> FRUS 1945 Vol 8 pp 400 431-432 437-438.

From an international point of view, there were two forces at work. One was Britain which attempted to preserve the present situation to protect its oil empire and the other one was the Soviet Union which was attempting to maintain the republics in the north. The American policy-makers who did not have much to do with Iran in 1940, were now faced with the loss of Iran's strategic position and American oil interests in the Persian Gulf.<sup>38</sup> This attitude is reflected in a communication between Secretary Byrne and the War Secretary in October 1945 in which strengthening Iran was considered to be in national interest.<sup>39</sup>

The monarchists interest is reflected in the policy of *movazeneh*. Hosein Ala, the former Court Minister, was appointed Iranian Ambassador to Washington in November 1945. Upon arrival in Washington Ala told the press that Soviets were the cause of all problems of Iran!<sup>40</sup> Ala had the support of some American diplomats such as Loy Henderson, the Director of the Office of the Near East and African Affairs and it is not surprising to see him on 29 November appealing to Truman that only America could save Iran!<sup>41</sup>

The exaggeration of the Soviet threat to Iran by Court people was successful in that in November and December 1945, some American diplomats expressed fears that partition of Iran would threaten allied solidarity and international security. There were diplomats even in favour of intervention against Soviets but the American Army was in the process of demobilising units and this seems to be the reason why, on 20 December 1945, they advised Hakimi to take Soviets before

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<sup>38</sup> FRUS 1945 Vol 8 pp 417-419.

<sup>39</sup> Ibid, pp 534-536.

<sup>40</sup> New York Times, 11 November 1945, pp 19.

<sup>41</sup> Ala, pp 408-410. Ala, later on, served as prime minister in 1951 and again in 1955 to 1957 after the fall of Mosaddegh.

the United Nations.<sup>42</sup> The Shah was still traditionally head of the army and now that military intervention of Moscow in northern Iran was evident, Washington continued to support him through supplying the army. America had now added a new element into the politics of Iran.

The attempts by monarchists to attract American involvement in Iran had paid off. Washington did not appear to have any other choice except to support the Shah as there was no single political party or a popular political leader with a firm political backing in Majles to lead the nation. Washington was also hoping that by maintaining internal security, any pretext for British or Soviet intervention in internal affairs of Iran would be removed. The Iranian Government manoeuvred to attract more American involvement. In January 1946, Iran again approached some American oil companies to negotiate over oil concessions, but Americans were not interested as now they had access to Saudi oil. The negotiations were illegal under the Oil Law of 2 December 1944 and Washington was not interested either for they advised their oil companies as well as their embassy to refrain from discussing the matter. The attempt by Hakimi Government to interest America had angered Mosaddegh who criticised the government for not adopting his policy of non-alignment.<sup>43</sup>

### **3 Moscow's Expansionism**

The Allied's position in Iran in 1946 is of paramount importance to this study. British and American troops had already left Iran. The position of Moscow was much more different. During the past few centuries, Iran has traditionally regarded Russia with distrust and fear. Russian aggression against Iran dates back to about

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<sup>42</sup> Gaddis, pp 291. Byrnes pp 255. FRUS 1945 Vol 8 pp 430-431 501 504-505 507.

<sup>43</sup> Mozakerateh Majles (Majles Proceedings) 14th Majles, 1946, pp 870.

1,100 years ago when Russian Cossacks crossed the Caspian Sea and raided the island of Abskoon in the year 297-298 Islamic Lunar calendar (AD 908). This was not an isolated incident as it happened again in 332 and in 571 at different occasions. There are also transcripts dated about 1600 ordering Iranian border troops to shoot Russian Cossacks wherever they were sighted.<sup>44</sup> In recent history Russia advanced towards the Northern Iranian borders taking advantage of Iranian military weakness. On three occasions Iran lost territory to Russia namely in 1813 and in 1828 when Caucasus, including seventeen cities, was separated from Iran and in 1881 when Turkamanstan, although nominally under Iranian rule, was annexed. The area was lost over several years with the fall of Tashkent in 1865, Bokhara in 1866, Samarghand in 1868, Khiveh in 1873 and Marv in 1884. In the late nineteenth century, Russian influence in Iran was strong enough to allow Russian subjects to secure banking, fishery, oil concessions and preferential customs arrangements. Russia also offered low-interest loans to Naser-eddin Shah as well as to his heir, Mozaffar-eddin Shah, who were desperate to raise funds to cover their Court expenses.<sup>45</sup>

In 1907, Britain and Russia signed an agreement to divide Iran into two zones of influence and a neutral zone and in 1915 they once again divided the neutral zone secretly. Britain had to pay a price to stop the influence of its rising competitor, Germany, in Iran. At least since 1902 Britain was worried about Russia's attempts to acquire a naval base in the Persian Gulf. In a dispatch to Ambassador Harding in St Petersburg, Foreign Secretary Lansdowne wrote on 6 February 1902 "*Britain*

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<sup>44</sup> In 1946, Iranian Ambassador to Washington, Hosein Ala, gave an account of Russian aggression towards Iran before an American audience (see Vital Speeches), Also Kuli, Az Shahrivar ... pp 10, 109. To convert Iranian Solar calendar to Gregorian calendar add 621. Conversion from Lunar calendar requires tabular calculations.

<sup>45</sup> Brown, Persian Revolution, pp 99.

*could not consent to the acquisition by Russia of a military or naval station in the Persian Gulf.*"<sup>46</sup>

Early in 1904, Russia's powerful armada was making its way around Africa en route to war with Japan. Britain was concerned that the fleet could turn north towards the Persian Gulf or anchor in the Iranian port of Chah Bahar, near the Indian Baluchestan. In May 1904, British Embassy in St Petersburg reported Russia's success in obtaining a lien on a prospective railway through Iran to Chah Bahar.<sup>47</sup> Russia's defeat by Japan in 1905 and the rise of the domestic violence forced it to seek stability in foreign relations. Britain also had to contain German expansion in the Middle East. In a lecture at Oxford, Curzon defined "*A sphere of influence is a less developed form than a protectorate, but it is more developed than a sphere of interest*"!<sup>48</sup>

Iran was going through a difficult time due to the Constitutional Movement but Russian politicians, unlike British ones, sided with the Shah. The Russian Cossack officer, Colonel Liakhof, assisted Mohamad Ali Shah by raiding the newly-established parliament, an incident in which a number of deputies were murdered, and helped the Shah to establish his traditional absolute monarchy. The friendly relationship between Russians and the Shah begun years before when Mohamad Ali Shah was the Crown Prince and the Governor of the province of Azarbaijan. The absolute monarchy, however, did not last long for Tehran was invaded by Constitutionalists. The Shah took refuge in the Russian Embassy and abdicated. The Constitutionalists then chose his 12 year old son, Ahmad, to be the new king.

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<sup>46</sup> Gooch, Vol IV, no 321a.

<sup>47</sup> Bucsh, pp 264-265.

<sup>48</sup> Fraser L, pp 129.

Contrary to what one might think the defeat of absolutism did not end the Russian aggression as in December 1911 a Russian ultimatum forced the departure of an American financial advisor, Morgan Shuster. During the First World War, Russia disregarded Iran's neutrality and moved troops into the Northern provinces, but after the Bolshevik Revolution of 1917 and only for a short time the newly-established revolutionary government treated Iran in a friendly manner by denouncing all Czarist agreements including 1907 Anglo-Russian Agreement. This friendly gesture did not last very long for in 1920 the Red Army invaded the North of Iran. They soon made contact with Mirza Kuchek Khan, Ehsanolla Khan and other leaders of a rural guerrilla movement. The movement was to bring about radical social changes in Iran. The movement spread to the provinces along the Caspian Sea but since it was contained by the Central Government in 1919, their leaders had decided to obtain assistance from Moscow.

Mirza Kuchek Khan was a moslem and had insisted that there should be no dissemination of communist propaganda in Iran. Moscow, however, saw him as an instrument for revolutionary propaganda in Iran *"he is a bearer of social slogans ... closely connected with communism, although it is interpreted by the Persians in a different sense ... "*.<sup>49</sup> Moscow's support for Mirza Kuchek Khan of Jungle and the Soviet Republic of Gilan was a small scale revolutionary gain.<sup>50</sup> Moscow, however, had to remove her troops from Iran in 1922 in return for a treaty of friendship with Iran. The Iranian army moved to the northern provinces and the rebellion was crushed. Kuchek Khan who attempted to flee to Azarbaijan was found frozen to death in the mountains of Talesh !

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<sup>49</sup> Eudin, pp 117.

<sup>50</sup> Lencowzski, Russia and ..., pp 170.

The treaty with Iran allowed the Soviets to advance into Iran if a third party desired to use the Iranian territory as a base against Soviet Union. This treaty, which was another gesture of good will, was signed in 1921 under which the Soviet Union returned to Iran numerous concessions, granted under the old regime, on the condition that they were not granted to a third party. Considerable amount of property was returned as well on the condition that they were used for the benefit of the Iranian people. The significance of this agreement was Article 6 under which the Soviet Union could advance into Iran. This article appears to have been drafted to facilitate the withdrawal of British troops from the South and it will be shown later on how it was used by Moscow to justify their activities in the North of Iran in 1940's.

Despite signing the treaty Moscow continued supporting rebellion in the north of Iran. An example of this is their support for revolts of Sheikh Mohamad Khia-bani in Azarbaijan or Khoda Verdi Khan in Khorasan. Later on, Moscow's political penetration in Iran turned into obtaining pro-Moscow sympathy.<sup>51</sup> In the 4th Majles, for instance, the minority was led by Soleiman Mirza, a socialist. Soleiman Mirza joined Reza Rusta, a communist, in the electoral campaign for the 5th Majles and formed the National Bloc. They did not succeed as they were denounced by the authorities as subversive. Many of its members were arrested or killed. Rusta disappeared but Soleiman Mirza continued to lead an opposition of 15 left-ist deputies in the 5th Majles in 1923. In 1927, Moscow attempted to agitate Iranian Kurds through their scheme for an independent Kurdish republic within the Soviet Union ! The scheme was rejected by the Commissariat of Foreign Affairs for it would strengthen the relations between Kurds and Iran.

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<sup>51</sup> Lencowski, *Russia and ...* , pp 54.



The invasion of Iran in the last few days of August 1941 is of important relevance to the nationalisation of the oil industry. The fall of Reza Shah and his totalitarian regime opened the door to the re-establishment of the long-time desired parliamentary system in which nationalists managed to find a forum to represent and lead the urban middle class. On 25 August 1941, Iran was invaded by the British forces from the West and by the Soviet forces from the North. The idea was to open a supply line to help the Soviet Union and to maintain the oil flow to the British Navy. Soviet Union could not be helped through the Pacific routes because of Japanese threat, nor via Northern Scandinavia because of harsh winters. India also had to be secured against a German invasion and Iran had, once again, fallen victim to the rivalry of superpowers. The invasion of the Northern provinces of Iran is in two respects relevant to this study : 1- Soviet attempts to obtain an oil concession in the North, and 2- Soviet threats to the independence of Iran.

At the time when Iran was invaded there was mainly one oil concession in operation in Iran, the 1933 revised concession in which British Government had 51 per cent share. There was also Kavir Khurian Oil Concession, in which the Soviets had 65 per cent stake but Kavir Khurian was a small company theoretically operating in Semnan area 70 miles to the East of Tehran. The Anglo-Iranian Oil Company, on the other hand, covered some 100,000 Sq miles in the south west and owned the largest refinery of the world in Abadan. The rest of Iran was, therefore, free for foreign competition. During the war Iran attempted several times, with no success, to interest American oil companies. In February 1943, Iranian commercial Attache in Washington approached the Standard Vacuum and in June contacted the Standard Oil of New Jersey.<sup>52</sup> In September, Standard

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<sup>52</sup> FRUS 1943 Vol 4 pp 627.

Vacuum became interested in Baluchestan, south east of Iran, and at about the same time State Department changed its oil policy because of the fear of domestic oil depletion.<sup>53</sup>

The competition for Iranian oil was actually started by the Iranians themselves and went on despite opposition by the American Ambassador in Tehran as well as American financial adviser, Dr Millspaugh, who warned that it would jeopardise the allied relationship in Iran. The State Department supported both companies and in February 1944, they even informed Iran of their backing. The West appears to have been satisfied with the situation as long as their interests in Iran were maintained. An example is their backing of the puppet regimes in the north of Iran at Moscow Foreign Minister Conference in December 1945 if Khuzestan, where the British oil industry was based, would also become independent ! Britain and Russia had, in 1907, divided Iran into three parts, the British zone of influence, neighbouring British India, the Russian zone of influence which covered the north, and a neutral zone including Khuzestan. When oil industry was established in Khuzestan, Britain signed a secret agreement with Russia in 1915 dividing Iran into two zones of influence.

However, Britain despite its remarkable position in Khuzestan, was not passive. Representatives of the British Shell Oil arrived in November 1943 to survey Baluchestan followed by representatives of the Standard Vacuum in December and later on, by Sinclair Consolidated Oil and soon they presented the government with their prospective oil concessions. Standard Vacuum was the first one to arrive in March 1944, Shell in May followed by Sinclair in June. Obviously, Moscow was not prepared to remain silent. Soviets had a long history of intervention in

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<sup>53</sup> Yergin, *The Prize ...* pp 395.

the north of Iran and, in their view, there was strong justification for their anger. They had enjoyed a concession through their company Russo-Persian Naphta in 1896. In 1901, five northern provinces had been excluded in D'Arcy concession because of Russian influence. The 1921, Treaty of Friendship between Iran and Soviet Union forbade Iran from granting old Czarist concessions to a third party. They had asked Iran for cooperation to develop Kavir Khurian oil resources as recent as 30 August 1941, only 5 days after the invasion.<sup>54</sup>

Moscow originally did not object to this development but simply reminded Iran of their zone of influence. This may be attributed to the fact that they were already involved in illegal drillings in the north,<sup>55</sup> or may be because originally only Baluchestan was considered for oil surveys. However, prime minister Saed announced in April 1944 that north of Iran was also open for negotiations. This was a turning point in internal politics of 1940's and suggests that Iranian statesmen had, once again, resorted to the old Qajar policy of *movazeneh*.<sup>56</sup>

America had a good reputation in Iran until early 1950's and Iranian statesmen had, at several occasions, requested Americans for help to offset British position. The New York banker, Morgan Shuster, arrived in 1910 to regularise the Iranian finances which were in chaos. President Wilson had supported Iran against the 1919 Anglo-Persian Treaty which was an attempt to turn Iran into a British protectorate. In 1941, Iran requested advisers for several ministries including Finance and Education, and by the end of 1943 there were 70 American advisers in Iran. At about the same time American General Schwarzkopf was in Iran to head the Gendermeri. Many Iranian statesmen were convinced that American assistance

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<sup>54</sup> Lencowzki, *Russia and ...*, pp 171.

<sup>55</sup> Elwell-Sutton, *Persian Oil*, pp 107.

<sup>56</sup> see page 59.

was needed and that is why on 4 May 1943 they conferred Millspaugh necessary power to carry out financial and economic reforms.

Meanwhile, Americans and Britishs were busy in Washington negotiating over future oil policies and reached an agreement on 8 August 1944 on the oil of the Middle East although as far as Iran was concerned, they never cooperated on the Iranian oil until oil was actually nationalised. Moscow, however, decided that it was time to act. In August, Tudeh Party opposed granting oil concessions to any foreign power and their deputy in the 14th Majles, Radmanesh, stated that if Iranians could build the Trans-Iranian Railway on their own, they should be able to exploit their oil reserves too. But opposition by a communist deputy was not enough and in September, Moscow dispatched deputy Foreign Minister, Kavtaradze, to Tehran. The aim of Kavtaradze visit to Tehran was formally discussing Semnan oil but in 1924, the concession had been confirmed by the Government and Kavir Khurian Oil Company was a legal company operating with no problem. One interpretation supported by Millspaugh was that the real aim was to stop the West from gaining a better position in Iranian oil. Another interpretation was that Soviets really wanted to take advantage of a politically weakened Iran and obtain an oil concession.

The Majles opposition made a fuss about the arrival of a Soviet official forcing Saed government to announce, on 16 October 1944, that no oil concession would be granted until the end of the war. Saed himself stated that he had made up his mind early September and before the arrival of Kavtaradze, but that was a political lie. The real reason behind the refusal was that Iran had, once again, decided to involve American interest in Iran, to create a rival for Britain and the Soviet Union. The reaction of the Tudeh Party is of interest. In August, they opposed

granting oil concessions to foreigner powers, in October, they launched a campaign against the government and arrange for mob demonstrations in Tehran and Tabriz to demand resignation of Saed. Kavtaradze remained in Tehran for another two months during which American Ambassador announced his government's support for Iran's sovereignty over oil affairs. This introduced a new element to Soviet foreign policy, the fact that Britain and the United States supported Iran. In November 1944, cabinet changed and on 2 December Mosaddegh introduced a bill forbidding government officials of negotiating oil concessions without the approval of the Majles. The bill was ratified the same day. Kavtaradze called the bill a great mistake and left Iran on 9 December.

What happened in Iran in 1944 should be considered as a duel between Moscow and the West over the oil and it should be noted that it was arranged by the Iranian statesmen themselves and may be considered as an early stage of the cold war. It also had other consequences. Firstly, Tudeh Party which, until then, had been known as one of the many political parties, was ridiculed as a soviet toy. Secondly, oil became an issue for public debate. Thirdly, Mosaddegh who until then had only been known as a nationalist deputy, emerged as the author of the Oil Law and a nationalist hero. This was the first stage of the rise of Mosaddegh to the leadership of nationalists in 1950.

The Soviet threat to the Iran's independence is of great relevance to the oil nationalisation in 1951. Had Soviet agents managed to maintain the two autonomous republics in the North West of Iran, the formation of a Soviet oil industry in the North, which was an obvious consequence of this, would have made it more difficult for the nationalists to fight in two battles.

## 4.4 Puppet regimes

After the invasion of Iran, Britain and the Soviet Union signed a treaty known as the Tripartite Treaty of 29 January 1942,<sup>57</sup> which brought Iran into the Alliance and required military evacuation of Iran within six months after the end of hostilities with Germany, but soon it became obvious that Moscow was interfering with domestic affairs of the North. The West was concerned about the Soviet activities from the very beginning. On 3 October 1941, Secretary Hull relayed his concern to the British Government. He was concerned with the Soviet sympathy towards the Arminian separatists movement in Iran which could have affected Turkey as well, a view which was shared by Secretary Hull.<sup>58</sup> The North of Iran, excluding Tehran,<sup>59</sup> was practically occupied by the Red Army which began its policy of isolating the area from the Iranian troops and foreigners. Then, under their protection, Soviet agents began transforming Azarbaijan into a communist republic. Some estates were seized, Soviet-style collective farms were organized, and the export of grain and rice was forbidden.

The Soviet Embassy in Tehran involved itself in political propaganda about the achievements of the Soviets. The activities occasionally extended to the British zone of influence as well. Moscow resorted to the same policy of Nazis who, through broadcasting propaganda, appealed to the Soviet moslems to revolt against the Soviet rule. They also found an excuse for their activities. Under the Article 6 of the 1921 Agreement between Iran and Soviet Union, the Red Army could advance into Iran now that Iran had been occupied by a third party ! Their presence in the province of Azarbaijan was strong enough to allow two Soviet immigrants of

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<sup>57</sup> For details of the Tripartite Treaty see FRUS 1943 Vol 4 pp 410-420.

<sup>58</sup> FRUS 1941 Vol 3 pp 463-475.

<sup>59</sup> During the war Allied troops always avoided being in Tehran.

Iranian origin, Pishvari and Daneshian, to seize power under the protection of the Soviet Army. They had been expelled by Stalin in 1930's and had been detained in Iran. In December 1945, Pishvari became the Prime Minister and Daneshian, commander of the rebel army. But who was Pishvari ?

Born in 1888 in Azarbaijan, he went to Baku in 1904 and stayed until the Russian Revolution of 1917. A year later, he returned to Iran under the name Jafar Badkubeyi. He was appointed as the Deputy Interior Minister in the Republic of Gilan in 1920 which had been declared by Mirza Kuchek Khan of Jungle. He has been accused of being responsible for murdering hundreds of people.<sup>60</sup> He returned to the Soviet Union when the republic collapsed and became active in Comintern under the name of Soltan-Zadeh.<sup>61</sup> Pretending to be a victim of Soviet purges, he returned to Iran in 1936 and was detained until 1941 when Iran was invaded. Pishvari then helped forming the communist Tudeh Party and became the editor of *Azhir*. He ran for the membership of the 14th Majles in 1943 but because of his separatist activities, his credentials were rejected.

In 1945 and with the help of a group of trained communists, he formed a political party, Democrats of Azarbaijan, to replace the Tudeh party in Azarbaijan. His government collapsed when Iranian Army invaded the Azarbaijan in 1946 and he fled to the Soviet Union. The end of Pishvari was as mysterious as his real origin. He died in a car crash in the Soviet Azarbaijan in 1947.<sup>62</sup> The separatist idea was not restricted to Azarbaijan. A Kurdish leader, Ghazi Mohamad, proclaimed an independent republic in Mahabad but his republic was not dominated

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<sup>60</sup> Fatemi, *Diplomatic History ...* , pp 230.

<sup>61</sup> Comintern issued identity papers of the deceased to give new identity to its members. One famous case is that of Tito who was allegedly given the papers of Josip Broz who died in 1915 !

<sup>62</sup> Pishvari himself has given a different account of his life claiming to have been a porter at a school in northern Iran (see *Azhir*, September 1941).

by communists. The Republic of Mahabad had attracted Iraqi Kurds for Mollah Mostafa Barezani arrived from Iraq with his men to join Ghazi Mohamad.

Returning to Azarbaijan, with the backing of Moscow, Pishvari declared Republic of Azarbaijan on 12 December 1945. On 15 December, Kurdish people's Republic was also established in western Azarbaijan. Moscow had taken an interest in Kurdistan since 1920's. In 1927, they showed interest in establishing a Kurdish puppet satellite within the Soviet Union in 1927 to encourage Kurds abroad for independence. The idea was understandable as the route from Caucasus to the Persian Gulf passed through Kurdistan. Unlike Azarbaijan, the communist-dominated Tudeh was incapable of serving Moscow's intentions in the traditional tribal Kurdistan. Some 30 tribal leaders were invited to Baku. They met Bagherov, the president of the Soviet Azarbaijan, visited farms and factories and returned to Iran after two weeks. On 16 September 1942, a small group of Kurds formed a Kurdish nationalist committee in Mahabad called Komelle.<sup>63</sup> The membership grew and in October 1944, Ghazi Mohamad became the spokesman of the group and on 22 January 1946, the president of the puppet republic.<sup>64</sup> Ghazi Mohamad appears to have been naive when in response to Bagherov extending a helping hand, he said *"not only we shake it, we will also kiss it"*!<sup>65</sup>

Returning to Pishvari, he initiated the re-distribution of land, nationalisation of larger banks and declare the Azari as the official language as well as improving public transport and introducing a labour pension scheme to impress the masses. But Moscow had made a mistake not noticing that the bulk of Azarbaijanis had

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<sup>63</sup> This is a broken form of Farsi standing for Kord Mellat (Kurdish Nation) ! It is common to find broken Farsi words in Iranian local languages.

<sup>64</sup> For details see Eagleton, Kurdish Republic of 1946.

<sup>65</sup> Ibid, pp 44-45.



not yet forgotten the atrocities of the Russian Army during the Constitutional Movement and in 1910's. Azarbaijanis were happy over the Bolshevik Revolution hoping that Russian troops would go home. They had formed an anti-Russian attitude which helped bringing about the fall of Pishvari. To this, of course, one has to add the economic decline of the province, creation of a secret police and the abuse of power by Pishvari. Even when creation of an army was declared, Pishvari had to order police to arrest draft evaders. The lack of genuine support for Pishvari was clear. The American Consul had commented that if Soviet Army left, the regime would crumble quickly. The Iranian central government ordered troops to Azarbaijan but they were stopped near Qazvin by the Red Army. Negotiations between Tehran and Moscow revealed that Moscow's true intention was the oil concession. Eventually, puppet regimes collapsed in December 1946.

The fall of Azarbaijan was a major defeat for Moscow.<sup>66</sup> Moscow's previous attempt in 1921 to establish the Republic of Gilan was also unsuccessful. One reason for such a quick collapse was most probably Moscow's unwillingness to assist militarily. Their reluctance may be explained through their strong position in Eastern Europe and the fact that Washington would not tolerate a Soviet-controlled Iran. Another reason was Stalin's interest in the ratification of the Irano-Soviet Oil Concession which would seem to be impossible had Moscow invaded Azarbaijan. One can see the service that Ghavam rendered to Iran by offering an oil concession contingent on Majles ratification. The public dissatisfaction with puppet regime also has to be considered. Azarbaijanis were resented of Russian atrocities a generation ago. The communist rule over a Moslem Azarbaijan was also another source of distrust and fear.

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<sup>66</sup> New York Times, 13 December 1946, pp 13.

The idea of puppet regimes in the north of Iran was at some stage supported by the West. In December 1945, at Moscow Foreign Minister Conference, Secretary of State Byrne and British Foreign Secretary Bevin, suggested that Azarbaijan, Kurdistan and Khuzestan become autonomous provinces, but Stalin refused perhaps believing that like Eastern Europe the entire Iran would fall into the Soviet hand.

## 4.5 Ghavam's Power Game

On 20 January 1946, Prime Minister Hakimi resigned and the 14th Majles chose Ghavam, a 73 year old competent politician as Prime Minister. Hakimi was unable to solve country's problems and had been invited by the Majles to resign. Furthermore, Soviets did not like him for, in 1919, he was a member of the Iranian delegate at Paris Conference which made claims over the Russian territory. Ghavam was, on the other hand, an experienced politician and a man of compromise rather than conflict. He was born in 1873 in Naser-eddin Shah's palace and was educated in Russia where he learnt Russian as well as French. In 1910, he held the post of the Minister of Finance and in 1918, was appointed as the Governor of Khorasan. He was prime minister between May 1921 and June 1922 and again in 1923. When Reza Khan was enthroned, like many other politicians, he quitted politics.

In August 1942, the 13th Majles elected Ghavam as prime minister by a vote of 109 out of 116, during which he showed his anti-Shah feelings by demanding the post of the Minister of War, whose choice was traditionally that of the Shah, and appointed a well-known religious scholar, Sadr, as Minister of Justice. The 14th Majles elected Ghavam by only one vote and it has been claimed that had the

Tudeh deputies not voted as it was usual of them to abstain. Ghavam would not have been elected.<sup>67</sup> It had become clear that Soviets were reluctant to withdraw from Iran and Ghavam, being a traditional politician embarked on his one-man policy of compromise to remove the threat from Iran's independence. He was well-versed with Qajar policy of "*movazeneh*". between powers.

The policy of *movazeneh* was deeply rooted in the nineteenth century Iran. Up to the early 1800's, Iran was a mighty power. The Safavi kings ruled over the entire plateau of Iran. Following them, Nader Shah invaded India. Agha Mohamad Khan, the first Qajar king also ruled from Caucasus to the Western part of the present Pakistan. Fath Ali Shah, the next king, however, suffered defeats from the Russian army in 1813 and 1828 with the loss of Caucasus and 17 cities. In 1888, Turkmenistan was annexed by Russia shrinking Iran to its almost present size. This coincided with growing British influence in India resulting in Iran being threatened on both sides. The advance of the powers of the time towards Iran could only be contained by a carefully balanced foreign policy.<sup>68</sup> In those days, Qajar statesmen granted concessions to both Russia and Britain to keep them content. It was obvious that granting concessions and its consequences had made it impossible for Iran to attain full independence, to establish the rule of law and to promote the progress, but it was enough to satisfy the economic and political greed of both powers to avoid military advancement or colonisation of Iran. This policy was successful as it turned military conflict into commercial rivalry.

It had already been proved early nineteenth century and throughout the fol-

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<sup>67</sup> Keiostovan, pp 233.

<sup>68</sup> Policy of *movazeneh* was not always successful. The attempts by Reza Shah, for instance, to involve Germany in Iran adversely affected Iran's position in international politics and encouraged the Allies to occupy Iran.

lowing years that Britain could stop Russia's military advance into Iran. There are transcripts in Naser-eddin Shah's handwriting indicating that if, in 1881, Iran had not consented to the Russia's annexation of Turkamstan, Russia would have annexed the north of Khorasan as well. The Central Government even had to keep internal rebels satisfied. For instance, in 1898, they appointed Sheikh Khazal as the Governor of Mohamareh, otherwise he would have declared independence. They were, however, careful to maintain the balance between two powers. British influence in the South was allowed to build up to a level whereby the Russian idea of a warm water port by Peter the Great, would have seemed to be an impossibility, but meanwhile commercial rivalry was encouraged to keep the Russians satisfied. For instance, Palashovisky's plan to build a kerosene pipeline from the Caspian Sea to the Persian Gulf, or construction of railroads by Russian subjects, were promised to be considered.

Returning to Ghavam, he had a reputation for being pro-Soviet or may be he was only pretending. He rewarded the Tudeh Party by lifting the government ban on their activities and actually took part in the opening of some of their labour clubs in Tehran. He tried to convince Pishevari to accept the post of the Minister of Agriculture but failed.<sup>69</sup> Ghavam's next move was to get away from a Majles in which he only had one extra vote and travelled to Moscow to meet Stalin. The meeting took place on 21 February 1946, but negotiations got nowhere as Stalin made Article 6 of the 1921 Treaty of Friendship between Iran and Russia an excuse for maintaining troops in Iran. By 2 March, American and British troops had already departed but Moscow only withdrew from peaceful districts arguing that full withdrawal would follow "*pending examination of the situation*"<sup>70</sup>, but

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<sup>69</sup> Davudi, pp 64.

<sup>70</sup> Gromyko, pp 406-408.

reports sent by the American Consulate at Tabriz were alarming indicating that Soviets had actually moved troops into Iran together with at least 200 tanks in the month of March 1946. Knowing that he was not favoured in the Majles, Ghavam deliberately delayed his return to Tehran and arrived on 10 March. The next day he presented the Majles with a report on the results of his negotiations in Moscow only one hour before Majles expired !

Not being successful in Moscow, Ghavam informed the Western powers, on 14 March, that he would take the case before the Security Council. The Iranian Ambassador to the United Nations and Washington, brought the case to the attention of the Security Council on 18 March. The case was originally heard on the 26 March and all Soviet excuses that the case should be adjourned because withdrawal had already begun, or an understanding between parties had been reached, as well as the excuse that they could maintain troops in Iran under Article 6 of the 1921 Treaty were rejected and the hearing was adjourned until 3 April for the parties to prepare reports.

Meanwhile, Ghavam carried on his traditional policy and now that Majles had expired and the former deputies did not have immunity, he arrested some right wing leaders and closed down their papers and since he had agreed in Moscow for further talks in Tehran, he met the Soviet Ambassador Sadchikov on 21 March who informed Ghavam that Soviets were prepared to withdraw if an Irano-Soviet Oil Company could be set up. This was against the Oil Law of 2 December 1944, but there was no other alternative in view of the fact that Moscow had other demands. They wanted local autonomy for Azarbaijan and Kurdistan whereby they could choose their own governor but central government was still in charge of the army, police and finances. Immediate withdrawal from Tehran had been promised if oil

concession and autonomy were agreed. It should, however, be noted that Moscow seemed to have been concerned about the action taken by the Security Council. Gromyko, for instance, did not bother to wait until 3 April and informed the Security Council that Soviet troops had actually started withdrawing on 25 March. At this time, the Shah was concerned about Ghavam's compromising policy and to hinder the negotiations, the War Minister announced, in a press conference, that Soviet troops were actually moving towards Tehran.<sup>71</sup>

On 5 April 1946, Ghavam and Soviets finally reached an agreement under which Soviets would withdraw within two months and an Irano-Soviet Oil Company would be set up for 50 years with Soviet shares to be 51 per cent for the first 25 years.<sup>72</sup> The interesting point was that the concession area was exactly the same area which had been excluded under the D'Arcy's concession, except the area along Iraq and Turkey border. Ghavam having offered the oil agreement, may have used the Law of 15 October 1945 to convince Stalin to withdraw. The law prohibited the new elections which was needed to ratify the agreement until all foreign troops had left. Ghavam's success was twofold, withdrawal of the Soviet troops and recognition by Moscow that Azarbaijan and Kurdistan were Iran's internal problem. Although one might disagree that the oil revenues were to be paid in Soviet rubbles which was a locked currency and was only good to buy Soviet goods, it has to be remembered that as Majles had expired, Ghavam knew that the agreement could not have been implemented without ratification and indeed it has been widely accepted that he did not have any intention of granting concessions to Moscow.

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<sup>71</sup> Davudi, pp 115.

<sup>72</sup> Stocking, pp 153.

Furthermore, it might be asked if Soviets had any intention of seeking an oil concession. The answer is most probably negative. During the occupation of the North, Soviets had carried out a number of drillings all over the North and had found no oil.<sup>73</sup> It is more likely that since American oil interest in Iran was revived in Autumn 1943 and in view of the Anglo-American Oil Conference of 1944, Moscow decided to stop the West from obtaining a much more advantageous position in Iran and that is why they dispatched Kavtaradze to Tehran in September 1944 with a three-day ultimatum to provoke the Iranian nationalists like Mosaddegh so that no oil concessions could be granted to any power. The oil agreement of 4 April 1946 between Ghavam and Moscow was also more likely to be a face-saving political measure to end an international crisis and avoid Anglo-American coalition. This may be justified by the fact that Soviets did not attend the Security Council's further hearings of 3 April, 6 May and 22 May 1946 as a part of their tactics to find time for withdrawal which, according to Soviets, was completed on 9 May. The date of Soviet's complete withdrawal from Iran has never been established and considering the large number of agents they left behind, it is right to say that it was never complete !

The Soviets did not forget their oil agreement and on 12 August 1947, requested Ghavam for its ratification which did not seem to be a problem as Ghavam had already rigged the 15th Majles elections to the extent that even Mosaddegh had not been elected, but Majles rejected the agreement in October and exempted Ghavam from punishment under the Oil Law of 2 December 1944. The Majles instructed the government to negotiate with the Anglo-Iranian Oil Company for better terms.

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<sup>73</sup> Elwell-Sutton, *Persian Oil*, pp 108. Lencowzski, *Russia and ...* pp 170.

America used the Security Council and the General Assembly once more in 1946 to debate the puppet regimes in the north but once the crises in the north were over, Washington appears to have forgotten Iran in that they paid more attention to Turkey and Greece. Congress was also reluctant to become involved. Once the Greek-Turkish Aid Bill which was the official start of the cold war was ratified, the Chairman of the Foreign Relations Committee in the new Congress of 1947-48 declared that no more aid could be offered. The decision may have been taken in view of the fact that Iran, unlike Turkey and Greece, had oil revenues or perhaps administration corruption was the reason. There is also another possibility. Britain maintained the responsibility for the defence of Iran and left that of Turkey and Greece to Washington. This might be the reason why Iran was excluded from the 400,000,000 dollars aid that Truman Doctrine requested for Turkey and Greece in March 1947.<sup>74</sup> However, Iran's strategic importance was clear. As Senator Vanderberg said before Congress in April 1947 if the Middle East falls under communist expansion "*the repercussions will echo from the Dardanelles to the China sea*".<sup>75</sup>

As mentioned before, Ghavam had offered Moscow oil rights in the north in an attempt to force the Soviets out of Iran. Now in 1947 and in view of the Iranian elections, Moscow was anxious to have the agreement ratified and this did not go unnoticed by the West. The issue of the Irano-Soviet Oil Company had been discussed between Bevin and Stalin in March 1947 at the Moscow Conference of Foreign Ministers without any objections from Washington.<sup>76</sup> Thus, remarks made by Ambassador Allen to the Shah and Ghavam in private that Irano-Soviet Oil

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<sup>74</sup> FRUS 1947 Vol 5 pp 901-902 993.

<sup>75</sup> Caroe, pp 121.

<sup>76</sup> FRUS 1947 Vol 5 pp 929-930 934 953. PRO FO 371/Persia 61970.



Company was not in the interest of Iran, must have been his own view.<sup>77</sup> The British Ambassador, Le Rougetel, also had the same opinion that rejecting the Oil Concession by Majles would be resented by Moscow. Bevin had assured Stalin that Britain would encourage Iran to offer the concession in return for Stalin's assurance that Moscow would not interfere in Iran's internal affairs. Attlee was in favour of maintaining the arrangements of March 1947 with Stalin and delayed the return of Le Rougetel to Iran until the 15th Majles had voted.<sup>78</sup> At this time there was also a rumour that just as they did in 1915, London and Moscow had secretly divided Iran so that Anglo-Iranian Oil Company could be protected.<sup>79</sup>

Washington was, however, passive. Now that they had access to oil reserves in Saudi Arabia and Bahrain, there was no point in starting another oil competition in Iran.<sup>80</sup> In February 1945, Roosevelt had met with Ibn Saud at Suez in an attempt to stabilise the region. Washington's desire to interfere the region eventually involved them with the political affairs of Palestine after the war.<sup>81</sup> Britain was, however, more influential in the region as they had already courted the Arab Sheikhdoms of the Persian Gulf and the Arabia. Years before they had signed treaties and truces guaranteeing their independence on paper but in fact practically turned them into British Protectorates. The agreement with Ibn Saud, king of Soltanate of Nejd, had been signed some 30 years earlier in 1915 and it was in recognition of the importance of the stabilising the region that Britain resumed subsidies to Ibn Saud in 1940. Baxter recorded the British subsidy for the year

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<sup>77</sup> FRUS 1947 Vol 5 pp 965 968.

<sup>78</sup> PRO FO 371/Persia 61971 7 July 1947, 61973 13 October 1947.

<sup>79</sup> PRO FO 371/Persia 61972 12 September 1947, 29 September 1947. FRUS 1948 Vol 5 pp 97.

<sup>80</sup> Pollard, pp 113. Kuniholm, pp 192-202. Lytle, pp 82-99.

<sup>81</sup> Jenkins, pp 115-117.

1940 as 396,582 pounds.<sup>82</sup> However, once Irano-Soviet Oil Concession was rejected by the Majles in October 1947, the Iranian Government came under attack by leftists who found the Irano-American Relationship an excuse for turning Iran into a base against the Soviet Union. In the same year, Ambassador Allen put into effect the new policy of active opposition to the Soviet Union and saw in Mosaddegh a possible opponent to Soviet infiltration.<sup>83</sup>

## 4.6 American Economic Aid

In March 1948, a policy planning paper recommended that treaties be signed with the Near Eastern countries but this idea was abandoned by both the State Department and the Foreign Office. Britain did not want to commit herself outside NATO but since the war pro-Shah governments had attempted different methods to acquire aid. Iran had requested American non-combat military equipments in September 1946 which was finally sold to Iran in 1948 for 26,000,000 dollars. For the first time Washington had sold weapons to Iran. The first shipment of combat goods including light tanks and fighter planes arrived on 9 February 1949. The growth of the army, however, did not correspond with the economic growth.<sup>84</sup>

The Seven Year Plan was an example of economic advice. It was a 1250-page five-volume report prepared by the American firm Overseas Consultants Inc with a 650,000,000 dollars budget. But American policy-makers in 1948 were busy with policy towards other parts of the world. After the end of crisis in Azarbaijan, Washington was reluctant to involve itself greatly in Iran. Secretary Marshall believed that in any case Europe could be used to stand as the first line of defence

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<sup>82</sup> PRO FO 371 E1775/128/25 16 March 1944 Baxter Minutes on Anglo-American Oil Agreement Discussions.

<sup>83</sup> Elwell-Sutton, *Oil Diplomacy*, pp 193.

<sup>84</sup> FRUS 1949 Vol 6 pp 1-5.

to keep Moscow out of Iran.<sup>85</sup> Some Iranian politicians were against large arms credit. On 17 February 1948, Hakimi cautiously suggested 10,000,000 dollar credit arguing that Iran could afford it from the oil revenue. The Majles accepted this by a vote of 79 to 6.<sup>86</sup> The Soviet threat on Iran was gradually building up and Ambassador Wiley was justifiably accused by Britain for attacking Moscow by encouraging Iran to bring their case before the Security Council for a revision of the Article 6 of the 1921 Treaty of Friendship between Iran and Soviet Union.<sup>87</sup>

In 1949 the Soviet threat was considered serious. When Ambassador Wiley returned to Washington early 1949, he had lengthy discussions with Iranian delegation at the United Nations and the State Department supported the idea that, should the threat become a reality, Iran should immediately inform the Security Council as they did early 1946. Under Article 6 of the 1921 Treaty, Moscow had a right to advance into Iran but under the United Nations Charter, their right appears to have been suppressed. The communications between Ambassador Wiley and the State Department early 1949 suggests that the Ambassador considered the threat seriously but Secretary Acheson viewed it differently and invited Wiley to act according to the Departmental policy.<sup>88</sup> Iran again requested economic help in 1949. Help could only be provided through the International Bank for Reconstruction and Development or the Anglo-Iranian Oil Company. The Allies had called Iran the *bridge to victory*. for providing an all-weather route to the Soviet Union and this became an excuse for pro-Shah forces to request post-war assistance periodically. Early 1947, the State-War-Navy Coordinating Committee concluded that the United States was "*committed to economic assistance*" under

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<sup>85</sup> Brown S, pp 46-47.

<sup>86</sup> FRUS 1948 Vol 5 pp 99-101 166.

<sup>87</sup> Ibid, pp 160-161 173.

<sup>88</sup> FRUS 1949 Vol 6 pp 492-494 519-512.

the 1943 Declaration of Alliance.<sup>89</sup>

In 1949, Iran made a number of requests for help and Iranian Ambassador once asked for 100,000,000 dollars supported by Acheson.<sup>90</sup> Some American diplomats, like Loy Henderson, had already suspected that Moscow would abuse Iran's economic weakness.<sup>91</sup> If Moscow's desire was to turn Iran or some part of it into a Soviet satellite, Iran eventually became an American satellite through the continuous supply of American aid.<sup>92</sup> The American reluctance to help Iran at this time may be explained by the fact that the United States itself had budgetary problems. America had a budget surplus in 1947-48. Now in 1949 the budget deficit was 3 billion dollars. Despite this the Shah in search of aid desired a trip to Washington and Ambassador Wiley sent a number of communications to prepare the way for the Shah's trip to America in pursuance of his policy of attracting Americans. This, in conjunction with other indications, can be taken as Wiley's incompetence compared to Ambassador Allen. In spite of all the difficulties facing Truman administration and the State Department's advice that the time was not right, Wiley was so keen on a trip which proved to be a failure.

Monarchists, seeking American help, encouraged the Shah to go to Washington in November 1949. Washington was more interested in Europe, Turkey and Greece than in Iran. Domestically, it had not been possible to have the Supplementary Agreement ratified and there was public concern about the lack of progress.<sup>93</sup> The International Bank of Reconstruction and Development was reluctant to lend money to Iran. The Shah was keen on obtaining help. He visited a number of

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<sup>89</sup> Ford, pp 47-48.

<sup>90</sup> FRUS 1949 Vol 6 pp 523-525. New York Times, 20 November 1949.

<sup>91</sup> FRUS 1949 Vol 7 pp 520 521 523-525.

<sup>92</sup> Lencowzski, Soviet Advances ..., pp 340-341.

<sup>93</sup> PRO FO 371/Persia 75468 E14184/11015/134 18 November 1949.

officials and even piloted a bomber in Ohio in an attempt to impress his hosts. But at this time Berlin Blockade seemed to be more important than the Middle East. Besides, the State Department was unprepared to help third world countries. The Shah returned to Iran unsuccessful.

Acheson who took office in January 1949 did not have much knowledge of the third world countries and to him requests for help appeared to be attempts to obtain commitment outside the United States.<sup>94</sup> Such was the situation in April 1950, when Assistant Secretary McGhee warned that "*time of collapse may not be far away*". and that Iran could fall into Soviet camp in search of aid.<sup>95</sup> Officials agreed that economic assistance was needed and chose Grady, the Ambassador to Greece, to make promises of 50,000,000 dollar loan from Export-Import Bank. In Iran, as in Washington, it was felt that a strong prime minister was needed to ratify the Supplementary Agreement. The choice fell on Razmara. Grady arrived soon after Razmara formed his cabinet but was Grady really dispatched to solve economic problems of Iran? The answer is most probably negative.

The Korean war had started in June 1950. The Soviet Army started pressure tactics on Iran, such as troop movements in Caucasus and abducting Iranian soldiers and General McArthur believed that following Korea, Iran was the next victim,<sup>96</sup> but economic aid to many third world countries including Iran was stopped,<sup>97</sup> and Grady's mission was viewed by Acheson not as a means of economic progress but to raise expectations.<sup>98</sup> The Iranian Government was not passive as

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<sup>94</sup> McLellan, pp 398.

<sup>95</sup> FRUS 1950 Vol 5 pp 509-518.

<sup>96</sup> FRUS 1950 Vol 1 pp 324 329. Vol 5 pp 572-573. Vol 7 pp 181 314 369.

<sup>97</sup> FRUS 1950 Vol 5 pp 180-184 576.

<sup>98</sup> Ibid, pp 519.

in July 1950 they requested a 25,000,000 dollar loan from Export-Import Bank.<sup>99</sup> but American involvement in the Far East jeopardised the grant of the loan.<sup>100</sup> There was also concern because Britain believed that the loan could encourage Iran not to come to terms over the Supplementary Agreement. Eventually, they agreed with 6,000,000 dollars which was viewed by Grady not good enough.<sup>101</sup> Grady himself commented later on that Washington should have come in quicker to avoid oil nationalisation.<sup>102</sup>

The Korean War diverted the attention of policy makers to the Far East and Europe where Soviet invasion would be considered likely. Nevertheless, Washington decided in July 1950 that the invasion of Iran would create a situation whereby a general war was unavoidable but the task of the defence of Iran was considered to be that of Britain and that explains why they commented that the oil issue should be settled as soon as possible.<sup>103</sup> In October, Washington decided to invade Khuzestan if Moscow invaded Iran.<sup>104</sup> Britain also considered sending Commonwealth troops from Pakistan and India.<sup>105</sup> However, Iran was never invaded but Razmara played a power game in Autumn 1950 when Iran signed a trade agreement with Soviet Union and stopped the Voice of America relaying broadcasts on Tehran Radio. This was, according to the State Department, a violation of standards of diplomatic conduct. Tehran was, however, unrepentant in that they even removed restriction against the Tudeh Party. This is a good example of the uncertainties surrounding Iranian politics of 1940's.

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<sup>99</sup> FRUS 1950 Vol 5 pp 590-591. Etelat, 15 Tir 1329 (6 July 1950).

<sup>100</sup> Acheson, pp 502.

<sup>101</sup> FRUS 1950 Vol 5 pp 591-600.

<sup>102</sup> Grady, What went wrong in Iran, Saturday Evening Post, 5 January 1952, pp 57.

<sup>103</sup> FRUS 1950 Vol 3 pp 1657.

<sup>104</sup> FRUS 1950 Vol 1 pp 324 380 387 437 447. FRUS 1951 Vol 1 pp 6-7 68 1018-1019 1039.

<sup>105</sup> PRO FO 371 82353 EP1192/15/34 26 Oct 1950.

## 4.7 Conclusion

Looking back at the events of 1940's, one can see that Washington's involvement in Iran was an obvious consequence of Anglo-Soviet invasion of 1941. Britain eventually had to request for American assistance in any case but it was pro-Shah attempts which deepened their involvement. America eventually found itself in a position whereby they either had to witness the collapse of the strategically important Iran or support the Shah. In 1950's they even had to refrain from helping nationalists in an attempt to maintain the Western position in the area. Washington had no choice except to side with Britain. Supporting Iranian nationalists would jeopardise American oil interests elsewhere especially in British-occupied Bahrain. In addition, Anglo-American special relationship which had begun in 1941 would be damaged.

Washington watched Mosaddegh closely since the beginning of the oil nationalisation and when supporters deserted him, Washington decided to act as a mediator and urged him to negotiate. This caused considerable resentment and demonstrations in Iran during which Kashani, the Speaker of Majles, called the United States another imperialistic power hand in hand with Britain and called on Mosaddegh to find another customer for Iranian oil amongst the Soviet block.<sup>106</sup>

Collaboration between Washington and London grew stronger and it was with American backing that monarchists defeated communists and nationalists and restored the Shah to power in a coup in August 1953. However, despite their involvement in the coup one has to accept that, in general, America treated foreign nationals better than the Britain. In accordance with the Atlantic Charter, they returned a fair share of their oil to improve their countries and contributed to the

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<sup>106</sup> Taraghi, 29 Khordad 1332 (19 June 1953) pp 2.

stability of the local governments.

The cooperation between Moscow and Washington should be seen from a different point of view. In general there were a number of mutual concerns and interests which gave rise to their cooperation during the Second World War. Firstly, the defeat of Germany to the point of unconditional surrender. Secondly, to avoid devastation of the Soviet Union due to the effects of the war and thirdly, to maintain the world peace. However, Stalin's cooperation soon turned into suspicion and mistrust. The main reason for this was Stalin's idea of the second front.

To relieve the Soviet army which was fiercely engaged in war with Germany, Stalin was in favour of American land forces opening a second front in Western Europe, an indication of which was Molotov's trip to Washington in May 1942.<sup>107</sup> However, such an invasion would require certain level of armaments production in Britain which would not be reached before 1943. As an alternative, Churchill suggested an offensive in the North Africa in the Autumn of 1942.<sup>108</sup> The offensive was met with tough resistance by the Vichy and German troops the result of which was a prolonged fight and the surrender of Tunisia in May 1943.

Apart from Stalin's desire of the second front, the fundamental mistrust between Moscow and the West was based on the anti-Soviet policy of the Western countries since 1917 although the lengthy postponement of the second front in 1942 and 1943 must have increased Stalin's suspicion that the West might have reached an agreement with Hitler. Roosevelt was worried that Stalin could have reached an agreement with Germany and urged Stalin for a conference of the three powers in 1943.

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<sup>107</sup> FRUS 1942 Vol 3 pp 577-594.

<sup>108</sup> Pogue, pp 305.



The coalition was overshadowed by suspicion on either side. The reason was not always strategic but divergence of the economic interests as well. During the war, Washington was faced with the over-production of industrial goods and equipment. On the contrary, Moscow needed considerable supply of such goods to offset the effects of the war. One would expect that Allied coalition would have justified extending credit to Moscow after the war. Some American politicians, however, took a different view. George Kennan, for instance, believed that Moscow would take advantage of the situation.<sup>109</sup> The Roosevelt administration decided initially to extend the lend-lease agreement free from any political conditions.<sup>110</sup> In 1945, Congress announced its unwillingness to extend lend-lease allowances. The war coalition broke up in the same year and, apart from the oil crisis of 1944 in Iran, the most significant conflict between the East and West developed over the issue of Eastern Europe which was to determine the course of international politics.

With regard to the Soviet Union, the change from a Tsarist autonomy to a communist state in 1917 made little difference to Iran. Formally, all concessions obtained under the Tsarist regime were cancelled and some property was returned to Iran.<sup>111</sup> However, soon Soviet imperialism helped to establish the Republic of Gilan by the Iranian communists. It was as if Russian policy of intrusion into Iran had remained unchanged.<sup>112</sup> The Second World War became a good opportunity for Stalin to occupy north of Iran. Although Allied powers understood that the occupation did not offer them any territorial rights, Stalin eventually refused to withdraw troops. It was as if Secretary Hull had suspected this from

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<sup>109</sup> FRUS 1943 Vol 3 pp 722f Kennan's memoirs. Memorandum of Sept 1944.

<sup>110</sup> Herring, pp 150.

<sup>111</sup> See page 57.

<sup>112</sup> Comments made by Zhirnovsky about Iran indicates that the same way of thinking still exists in Russia.

the very beginning when he sought public commitment from the Allies. As early as 27 August 1941, he had advised Ambassador Oumansky that both London and Moscow should repeat this assurance and that such statement would have a healthy effect on Moslem world.<sup>113</sup>

This undertaking was affirmed in the Tripartite Treaty of January 1942. Contrary to this, Moscow sealed off north of Iran to foreigners and the communist party outlawed under Reza Shah appeared as Tudeh Party with full Soviet backing in the north. On 23 September 1941, Eden cabled the British representative in Moscow regarding Azarbaijan informing him that *"about first September, a large open air meeting had been held at Tabriz which was chiefly attended by Armenians, who demanded independence for Azarbaijan and its federation with the Soviet Union"*.<sup>114</sup>

In 1944, the Iranian oil reserves became a source of friction between two countries when Kavtaradze proposed an Oil Concession for 75 years. As Yalta Conference approached Churchill sent a secret telegram to Roosevelt on 15 January 1945 reminding him that *"they have refused to accept the Persian decision to grant no concessions until after the war : and have brought about the fall of a Persian Prime Minister ... This may be something of a test case ... Persia is not the only place where the bad effect will be felt"*.<sup>115</sup> At Yalta, Eden took note of Moscow's desire for the Iranian oil but insisted that oil concessions should not be obtained by force. He suggested that the withdrawal could be effected as soon as the supply route through Iran was shut down. Molotov, however, believed that the decision not to grant oil concession was in contradiction to the early assurances. He was proba-

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<sup>113</sup> FRUS 1941 Vol 3 pp 435.

<sup>114</sup> FRUS 1941 Vol 3 pp 468.

<sup>115</sup> Hurewitz, pp 244-245.

bly referring to the promise made by the Iranian Government after the invasion to cooperate in the development of the Kavir Khurian oil concession.<sup>116</sup> He also stated that Iranian people have always benefited from the Soviet economic role in Iran and the decision not to grant oil concessions was against their desire ! He was surprised why question of withdrawal was raised at the conference and urged that the discussion be suspended. Molotove even refused to consider a communique reaffirming Tehran Declaration. They firmly believed that this matter should be pursued through diplomatic channels.<sup>117</sup>

At Potsdam Conference of July 1945 the question of Iran again came up but Stalin appeared to make war with Japan an excuse not to withdraw from Iran although under the Tripartite Treaty of 1942, evacuation of troops was considered six months after the end of the war in Europe. It is obvious that Britain wanted to hold their grip on the oil industry in Iran without Soviet rivalry but Moscow had no justification as they had not yet declared war on Japan. Stalin agreed with withdrawal from Tehran and as Truman planned to transfer troops to the Pacific, Stalin gave assurances that he would not take any action against Iran.<sup>118</sup> The question of withdrawal from Iran remained unresolved even at the Council of Foreign Minister in London in September 1945. It was only mentioned in the secret protocol of the conference.<sup>119</sup> In the post-war period, however, the priorities of the Soviet foreign policy were directed towards Eastern Europe, the Balkans and the Far East.

The occupation of Iran in 1941 was an important political event in the Iranian

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<sup>116</sup> Lencowzski, *Russia and ...*, pp 170.

<sup>117</sup> Stettinius, Roosevelt and ... , pp 175 230 . See appendix A.

<sup>118</sup> Feis, pp 304.

<sup>119</sup> FRUS, *The Conference of Berlin (Potsdam)* pp 593-594 1460-1496.

modern history. It was Reza Shah's non-cooperation with Allies and the strong pro-German sentiment in Iran which encouraged the Allied to occupy. The interest in Germany was so strong amongst the Iranian educated that even after the occupation, in January 1942, a group of Iranian army officers founded an underground Organisation called *Nehzate Melliun Iran* (National Movement of Iran) headed by General Zahedi, commander of Esfahan Garrison. Franz Mayr was in touch with general Zahedi and Major Bertold Schulz was the advisor to the Ghashghai tribes in the British-occupied South. Their plan was to prepare the Iranian Army to assist Germany's invasion of Iran. They were supposed to revolt against the Allies as soon as the battle of Stalingrad was won by Germany. Factions emerged among the group and one of them turned them in to the British agents. Kashani, who was in touch with the group, was arrested and exiled to Palestine. In his trial, Kashani said that he was aware of the landing of Germany's parachutists among Ghashghais in the South.<sup>120</sup> Nazi intrigues in Iran ended in 1943 when British Army captured both Mayr and Schulz.

However, without the occupation the abdication of Reza Shah would not be possible. Iran became a new battleground for the powers but the electoral campaigns of the 14th and the 16th Majles resulted in a new political environment unseen before during which public awareness and interest in country's problems increased. The Allies eventually respected Iran's sovereignty and withdrew their forces, that is what Hitler would probably have never done had he won the battle against Moscow. Iran never acquired the pluralistic political system that was promised in the early 1940's. However, the fight against absolutism, the aspirations of the new society, the desire for independence and a parliamentary ruling

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<sup>120</sup> Rad, 23 Tir 1322 (14 July 1943).

system continued to exist. Without the occupation, the nationalists would have never achieved a forum in the Majles to attain the oil nationalisation.

Moscow's attitude towards the West was as defiant as before. They continued criticising the presence of American service troops in Iran even at the time they were receiving supplies. Soviet hostility towards the West was quite understandable. They had both strategic and ideological reasons. Iran was an outlet to the oceans, had large oil resources and was an ideal base for communist infiltration of the Middle East. Moscow's actions in Iran was due to the expansionist intentions of Stalin although, in this regard, Soviet's expansionist history should not be overlooked as this was their policy since the early 1800's.

The collapse of the Soviet-German alliance and the declaration of war on 22 June 1941 made Iran a potential battlefield. The massive German drive towards the Caucasus changed Iran's strategic position dramatically. Reza Shah did not cooperate with the Allies leaving them with no choice except to invade Iran. The construction of the Iranian railway had provided the basic infra-structure for a supply route to the Soviet Union. A possible German advance towards India could be blocked in Iran and the importance of the Iranian oil for Britain was too evident. Moscow invaded the north and British the south.

After the defeat of the Germany's offensive in 1943, Moscow was in a better position to interfere in Iran but they were now faced with two rivals, London and Washington. The involvement of American service troops in Iran, the monarchists attempts to drag America into the Iranian affairs, and American oil developments in Bahrain and Saudi Arabia, had changed Washington's position. The disinterested Washington of 1920's, which had no sinister intentions in Iran, had now

turned into one of the Shah's allies and concerned about the post-war settlement in Iran.<sup>121</sup> In preparing Roosevelt for Tehran Conference. Secretary Hull warned *"it is to our interest that no great power be established on the Persian Gulf opposite the important American petroleum development in Saudi Arabia."*<sup>122</sup> The Change of the American attitude from passivity of 1920's to full engagement in 1940's was most remarkable.

The rightness of the Anglo-Soviet occupation of Iran is difficult to assess. Reza Shah would have probably never agreed to cooperate with the Allies. There was no other safe route to assist Moscow and Allies had no other way to control the Iranian railway without resort to force. Although Iran had declared neutrality and showed no aggression, the requirements of the international law could not have prevented the occupation if the result was to lose the fight against Germany. However, one thing could have been expected by the Iranians. In recognising the role played by Iran, the moral burden on Britain was to assist Iran in the post-war period and in particular resolve the oil dispute which had been dragging on for many years.

Instead Iranians encountered hostility, stubbornness and humiliation.

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<sup>121</sup> FRUS 1943 Vol 4 pp 330.

<sup>122</sup> Ibid, pp 378.

## Chapter V

### The Crisis

#### 5.1 Introduction

The Iranian desire to have a share in the exploitation of the Iranian oil resources was evident, despite lack of expertise and finance, from the very early years of oil search in Iran. The Russo-Persian Naphta Company established in 1896, the oil concessions granted to Iranian nationals, the Amiranian Oil Company and the acquisition of shares in the Soviet controlled Kavir-Khurian Oil company, are examples of this. The application of the old policy of "*movazeneh*"<sup>1</sup> also played a part in this respect. After the conclusion of the First World War, which resulted in the partition of the Ottoman Empire and the division of its oil resources between France and the Soviet Union, Iranian statesmen attempted to involve American oil companies in the North. This did not succeed but the idea of finding a rival for the British oil industry in Iran continued to exist.

In 1925, Iran acquired 35 per cent share in Kavir-Khurian Oil Company. In 1932, Reza Shah's dissatisfaction with the Anglo-Persian Oil Company resulted in the cancellation of the oil concession and the draft of a new oil concession covering a much less area. In 1941, only 5 days after the occupation, Moscow requested Iranian cooperation to develop Kavir-Khurian Oil Company, but this request was met with reluctance on the part of the Iranian Government as a result of which the idea was forgotten until 1944. The monarchists, resorting to the policy of

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<sup>1</sup> For a description of *movazeneh* see pages 36-37 and Section 4.2 .

"*movazeneh*" continued to involve Americans into Iranian affairs. The Standard Oil Company of New Jersey surveyed Baluchestan.

In the early 1940's, it seemed as if Britain had realised that the Western control of the East was no longer possible in its conventional way as Britain needed a partner to assist in the war which could not be anybody else except Washington. This was not only in view of the intensifying war as even exploiting the Middle Eastern oil fields needed Anglo-American cooperation.<sup>2</sup> The Anglo-American Oil conference of 1944-45, initiated by London, is an indication of this. The first conference was held in April 1944 and was attended by representatives of Anglo-Iranian Oil Company, Royal Dutch Shell Group, British Board of Trade, Admiralty, British Treasury, Foreign Office and Ministry of Fuel and Power. This conference was followed by a second conference in July 1944 and on 8 August, an agreement was reached defining principles of operation of the oil industries and setting up an international petroleum commission. All the oil-producing countries were excluded to have a say in the commission ! This agreement did not pass through the Congress and was withdrawn in January 1945. The principles established by the conferences, however, continued to guide oil policies of both countries.

The involvement of American oil companies in the early 1940's was a turning point in the history of oil in Iran.<sup>3</sup> In response to this, Moscow dispatched Kavtaradze to Tehran, an event which resulted in the oil crisis of 1944 which received considerable international attention and Majles debates during which deputy Rahimian demanded oil nationalisation. Mosaddegh declined to back him arguing that time was not right for oil nationalisation. The Majles which had

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<sup>2</sup> There is still a rumour that British agents encouraged Japanese to attack Pearl Harbour to lure Washington into the war !

<sup>3</sup> See pages 129-130.



opened in the early 1944 was the first free-elected Majles since the enthronement of Reza Shah in 1925 and had acquired considerable power. The public desire to have a say in political affairs was high.<sup>4</sup>

Mosaddegh disagreed with the abrogation of the 1933 oil concession when Rahimian asked him to back a single-article bill for the annulment of the oil concession. At the same time, he supported another bill forbidding future governments from negotiating and granting oil concessions to foreigners without Majles approval. The 14th Majles had been elected freely, the deputies gave a straw vote for the premiership of Mosaddegh and Mosaddegh had been elected as Tehran's First Deputy. Why did he not back Rahimian ? It was perhaps because there was no single party with firm political backing in the Majles or because the Second World War had not ended yet and Iran was still under occupation, but Tehran was in the free zone and deputies had bravely defied Soviet pressure by rejecting Kavtaradze's proposals. Unlike industrial countries, in Iran political parties did not represent the aspirations of social classes but mostly served the interests of individuals or groups. This was not unexpected as there was no tradition to rely on, tactics and ideology were not known, social interests were conflicting, suppression was intense and foreign intrigue was strong.

The following year witnessed other important events. The Soviet's refusal to comply with the requirements of the Tri-partite Agreement of 1943 to evacuate Iran, caused an international crisis. Premier Ghavam seized the opportunity to secure the withdrawal by offering an oil concession to Moscow. It was the ratification of this concession which again made oil an issue for public debate in 1947. Ghavam had offered Moscow oil rights in the north in an attempt to force the Soviets out

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<sup>4</sup> See Sections 3.2 and 3.9 .

of Iran. Now in 1947 and in view of the Iranian elections, Moscow was anxious to have the agreement ratified and this did not go unnoticed by the West. The issue of the Irano-Soviet Oil Company had been discussed between Bevin and Stalin in March 1947 at the Moscow Conference of Foreign Ministers without any objections from Washington.<sup>5</sup> The British Ambassador, Le Rougetel, believed that rejecting the Oil Concession by the Majles would be resented by Moscow. Britain was not opposed to the Irano-Soviet Oil Agreement as long as it was fair and acceptable.

However, in rejecting the Irano-Soviet Oil Concession, Ghavam may have considered the American stand to Moscow in Greece and Turkey and the fact that granting the concession would be seen by the West as an intrusion in Iran. The events surrounding Irano-Soviet Oil Concession may have increased suspicion between East and West which led to the Cold War. Moscow had more than oil in mind when they pressed Ghavam for Majles ratification of the concession as they had extensive oil reserves in the Caucasus which needed development. Bevin had assured Stalin that Britain would encourage Iran to offer the concession in return for Stalin's assurance that Moscow would not interfere in Iran's internal affairs. At this time, there was a rumour that, just as they did in 1915, London and Moscow had secretly divided Iran so that Anglo-Iranian Oil Company could be protected.<sup>6</sup> In 1947, Washington was unwilling to start an oil competition in Iran.<sup>7</sup> This was most probably because they had an oil industry in Bahrain and Saudi Arabia. However, once Irano-Soviet Oil Concession was rejected by the Majles in October 1947, the Iranian Government came under attack by leftists who found the

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<sup>5</sup> FRUS 1947 Vol 5 pp 929-930 934 953. PRO FO 371/Persia 61970.

<sup>6</sup> PRO FO 371/Persia 61972 12 September 1947, 29 September 1947. FRUS 1948 Vol 5 pp 97.

<sup>7</sup> Pollard, pp 113. Kuniholm, pp 192-202. Lytle, pp 82-99.

Irano-American Relationship an excuse for turning Iran into a base against the Soviet Union.<sup>8</sup>

## 5.2 Development of Iranian Nationalism in the 1940's

In the late 1940's Iranian society suffered from extreme and unprecedented nationalism. Nationalism could not have suddenly appeared in Iran with the rejection of the Supplementary Agreement in 1949. The roots of Iranian nationalism extends deep into Iran's long history. The development of Iranian nationalism of the 1940's can only be understood by studying the rejection of the Tobacco Rebellion of 1891 and the 1906 Constitutional Movement and the few following years leading to the closure of the Majles in 1911 because of foreign intrigue. The Tobacco Rebellion of 1891 and the period 1906-1911 were important years during which character of Iranian nationalism was originally formed. All the future campaigns for democracy in Iran were modelled on Tobacco Rebellion of 1891 and the example and aspirations for great changes were provided by the Constitutional Movement of 1906.

The widespread public support for the clergy's demand for the cancellation of the profitable Tobacco Concession to the British interests in 1891 must have helped the public to realise that time had come to challenge the traditional obedience to the Shah. By this time, the Western educated had already transmitted sufficient knowledge of the Western way of life to demand a new ruling system. The Shah's assassination in 1896 was an unprecedented event which paved the way for fundamental changes in Iranian society. It is not surprising to see the quick establishment of the parliament in 1906 and public support for it.

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<sup>8</sup> FRUS 1948 Vol 5 pp 130 160.

Towards the end of the nineteenth century, the political influence of Britain had become, at least in Tehran and Southern Iran, an obvious fact of life. Resorting to the British influence became so common that in 1906 and for the first time in Iranian history, some 16,000 people sought sanctuary in the British Legation to demand changes in absolute monarchy. Britain had been identified with the Constitutional Movement. The understanding of British influence, their secret contacts with influential ministers, religious leaders and Bazar, will help to understand why concessions so valuable were so easily granted to British subjects and not to other Europeans. The description of the Iranian society and political situation shortly before 1900 given in Section 2.1 helps understand why concessions were granted at all and why they differ in details as leadership and public awareness develops.

The Public had already expressed resentment over De'Reuter's concession in 1873. This concession gave De'Reuter exclusive right for 70 years to exploit forests, all minerals, construct roads and railways, as well as monopoly over banking. What enabled De'Reuter to obtain this concession was the payment of 180,000 pounds to the Shah.<sup>9</sup> The public resentment over granting concessions was such that Seyyed Jamaledin, an Iranian reformist, told Edward Browne that reforms would not be possible until six heads were cut off, the first two those of the Shah and his prime minister.<sup>10</sup> Concession-hunting by foreigners had become so common that to avoid interference Britain and Russia defined two zones of influence in Iran and signed an agreement to this effect in 1907.<sup>11</sup> Later on, the oil discovery in the south motivated Britain to sign a secret agreement with Russia for further division of the zones. When these treaties were disclosed, they deeply offended the Iranian

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<sup>9</sup> Jones G, pp 11.

<sup>10</sup> Browne, *Persian Revolution*, pp 45.

<sup>11</sup> *Ibid*, pp 150.

sense of national dignity.

When the Shah arranged, with the help of Russian Cossacks, for the bombardment of the Majles, the public was infuriated. Having removed the Shah from power in 1909, the nationalists just began to realise how difficult it was to find solutions for Iranian problems. There was not much security outside principle cities and the government's authority would not go further than Tehran. The Iranian finances were in chaos because taxes could not be collected. Corruption and lack of revenues forbade restoration of authority and order. Nationalists were also concerned about the honesty of some Majles deputies. Fearing passing bills under foreign intrigue, they decided to close the Majles down in 1911. The closure lasted for 6 years. This was an important period in Iranian history during which Iranian modern nationalism took form. It was during these years that nationalists with liberal values gave a new direction to the Iranian traditional nationalism. The potential for great changes was recognised during these years.

Before 1891, all the cohesive ingredients of nationalism were present in Iran. The reason why nationalism did not find a base amongst ordinary people was most probably illiteracy, population dispersal, lack of transport and the existence of only a tiny population who were politically aware. The public was not expected to participate in political life. If nationalism is defined as a phenomenon of mass politics, then 1940's should be considered as the beginning of the Iranian nationalism and the 50 years between 1891 and 1941 as the formative years. This definition is more applicable to Iran as in the 1940's nationalism was the determinant factor of political behaviour of most Iranians.<sup>12</sup>

Nationalism in its Western style also brought modernism to Iran. However.

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<sup>12</sup> See Section 3.4 and 3.9 .

not all Iranian nationalists were modernists. It is true to say that in view of strong Western influence in Iran, Iranian nationalism soon became associated with a desire for great social changes. It became polarised and complicated with the Bolshevik Revolution although it had already been affected through indirect colonial control of both Russian and British empires. An example of this is the tragic story of Kuchek Khan of Jungle, the leader of Gilan Movement in 1910's.<sup>13</sup> A landowner and a liberal intellectual, he was inclined towards Russia but his primary loyalty was directed towards the Iranian nation. In 1915, he met with a group of intellectuals in Tehran and drew up a reform program for the entire Iran rather than the province of Gilan.<sup>14</sup>

Throughout the history, Iranian tribes and minorities helped fighting foreign invaders and shared a unique history.<sup>15</sup> Amongst a multitude of other loyalties, they all showed a primary loyalty to the nation. An obvious example of this is the loyalty shown to the nation by Azarbaijanis in 1909. After bombardment of the Majles by the Shah who had opposed Constitutionalism, the Shah's troops lay siege to Tabriz. Several hundred Turkish-speaking Azarbaijanis gave their lives to defeat the forces of absolutism. Two local heroes, Sattar Khan and Bagher khan, led the Azarbaijanis throughout the 10 months siege. Their resistance revitalised nationalists all over Iran. After Tabriz was released they joined with Bakhtiari and moved towards Tehran to form a national government. Azarbaijanis had the choice to declare independence, join the Ottoman Empire or the Russian Azarbaijan. Their loyalty was, however, with the nation. The political behaviour of Azarbaijanis was identical to that of Farsi-speaking Iranians indicating that Iran possessed the

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<sup>13</sup> See Section 4.3 for Moscow's support for local rebellion in the north of Iran.

<sup>14</sup> Lencowzsky, *Russia and ...* , pp 54.

<sup>15</sup> *Ibid*, pp 232.

elements which were extremely useful for the integration of nationalism: history, nation state and a distinctive culture. This may explain the widespread support for Mosaddegh in 1951.

The 1910's was a period of uncertainty in the politics of Iran. Iran declared neutrality but the First World War extended to Iran. After the Bolshevik Revolution, Britain tried to turn Iran into a British protectorate through the 1919 Anglo-Persian Treaty. Nationalistic opposition was fierce but this period of Iranian history had failed to produce a national leader with firm political backing. There was simply no audience to which a secular national leader could appeal which will explain the widespread role that clerics played in politics of these years.

Taking advantage of the situation, Britain arranged for a coup in 1921 which was carried out by Reza Khan. Reza Khan was an illiterate Cossack who rose rapidly through Iranian ranks. He soon overtook control of the government and was elected, through intimidation, as the Shah in 1925. This year was definitely the end of the aspirations of Iranian reformists who initiated the Constitutional Movement of 1906. Reza Shah is known in the Iranian history as a dictator whose rule was symbolised with prison. Many Iranian politicians quit politics under his rule. He was, however, a fierce nationalist with his own national values. Under him, modernisation of Iran began and the oil revenues were used to back issuing notes, importing goods from industrial countries and help currency reserves. He removed the insecurity and extended the government's authority all over Iran. Reza Shah did what no traditional leader was able to do after the 1906 Constitutional Movement; he established stable control over the entire country.

Under Reza Shah, Iranian nationalism in terms of mass politics was ignored

as he had no democratic sentiment, opposed all liberal institutions and tolerated no criticisms. However, he managed to make Iran a national state although under him Iranian nationalism did not develop. In this period there was a sense of economic depravation amongst Azarbaijani and Kurdish communities which gave rise to separatist sentiment in 1940's. It was perhaps Reza Shah's anger against Britain which led him to establish friendly relationships with Nazi Germany in 1935. Germany like America had a good reputation in Iran for not being an imperialistic power. Reza Shah abdicated after Iran was occupied by the Allied. Only after his abdication it was realised that he had rendered a great service to Iran by removing the feudalistic system of government. A large number of people migrated to urban areas. The modernisation of Iran and centralisation of power had resulted in an urban nationalistic middle class concentrated in Tehran.

After Reza Shah, a new era started in the history of Iran and there was hope for a pluralistic political system. A large number of political parties were formed and the press flourished. Hundreds of Farsi magazines, newspapers and pamphlets were published. The fall of Reza Shah was the beginning of a new period of parliamentary rule in Iran but in the early 1940's personality conflicts and *fraksiun* (factions) were ruling the Majles as there was no parliamentary tradition to rely on. The first Majles of this period, the 13th Majles had five fraksiuns. However, just as it did in 1910's, the re-appearance of nationalism in the early 1940's caused considerable problem for the central government as well as foreign powers. This time, the problem was compounded with the demands of a newly-emerged middle class and a large group of artisans, the product of the oil industry, with their demand for labour legislation. Unlike 1910's, this time German power did not exist but Iran was the scene of power rivalry. A new international power had been



added to the scene and the oil factor was to affect the conduct of both foreign and domestic politics of the Middle Eastern countries. Whatever the ideological attractiveness, the power rivalry was more intense in Iran because of the existence of the world's largest oil industry in Iran. The development of Bahrain and Saudi Arabian oil industries across the Persian Gulf also added a new dimension to the rivalries.

Several issues fuelled nationalistic feelings in the late 1940's which are worth investigating. In this category are Azarbaijan crisis and sovereignty over Bahrain. The other issue which was a major source of public resentment was the behaviour and attitude of the oil company officials. In particular, this was extremely important in a country with a long history and civilisation.

Prior to 1945-46, there is no evidence that the bulk of Azarbaijanis favoured an autonomous Azarbaijan. Under Reza Shah, there was a sense of resentment over economic deprivations. However, this in itself did not amount to a desire for separatism as that was the case with other provinces. Rossow, the American consul in Tabriz, has suggested that the puppet regimes in Azarbaijan was a part of Stalin's expansionism than a popular Azarbaijani move. He suggests that in view of intensive Western interest in Greece and Turkey, the puppet regime was designed by Moscow to reduce the size of Turkey.<sup>16</sup> Pishevari was brought to power with the help of the Soviet Army which had occupied the north of Iran. In 1944, he was elected a Majles deputy from Azarbaijan, but his credentials were rejected because of his separatist activities. He then suddenly discovered that Azarbaijan had a destiny of its own. No matter how well-calculated the Soviet design or what ideological attractiveness, Ghavam negotiated with Stalin in 1946 and offered him a

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<sup>16</sup> Rossow, pp 17-32.

oil concession in the north. The massive international attention compounded with weak Tudeh Party position in Iran, eventually persuaded Stalin to withdraw from the north. The Iranian army moved to the province in December 1946. After the end of Azarbaijan crisis, the Iranian sense of national dignity became stronger.<sup>17</sup>

The Tudeh agitators always looked for a topic for propaganda. Nationalistic feelings were running high in the late 1940's and Bahrain would make a good topic. Hakimi was a respected politician but not very effective. The Tudeh deputies attacked his government for failing to secure Iranian sovereignty over Bahrain or to obtain better terms from the oil company.<sup>18</sup>

Iran had several times objected over the interference of foreign powers in the affairs of Bahrain. Bahrain was under Iranian rule until 1873 when Arabs seized it. Britain made several agreements with the Shaikh of Bahrain in 1880, 1882, 1906 and 1914 and established a protectorate over Bahrain under which the Shaikh undertook not to enter into any relationship with other governments without obtaining Britain's consent.<sup>19</sup> Iran made repeated appeals to the League of Nations to recognise its claim over Bahrain between 1928 and 1936. When Shaikh of Bahrain offered oil concessions in 1930 and 1936, Iran again protested to London and Washington. In February 1948, Majles passed a bill instructing the government to restore Iran's sovereignty over Bahrain. In August, Iran announced all pacts and agreement made between Bahrain and foreign powers null and void.<sup>20</sup>

Apart from Azarbaijan and Bahrain, the other issue which appealed to public sense of national dignity was the oil issue which, by 1947, had become a matter

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<sup>17</sup> For details of Azarbaijan crisis see Sections 4.3 and 4.4 .

<sup>18</sup> PRO FO 371/68704/Le Rougetel to FO, 7 January 1948.

<sup>19</sup> Mansfield, pp 118.

<sup>20</sup> Khadduri, pp 631-647.

for public debate. This was most probably because of the oil crisis of 1944 and the rejection of the Irano-Soviet oil Proposals in October 1947. The disputes arising from the oil issue included financial aspects, employment and subsidiaries. However, by 1948-49, perhaps the most important of all, were behaviour and attitude of the oil company officials. As explained before by this time oil had become a matter for public debate. It had come to the public attention that oil had been nationalised in Mexico and the Venezuelan Government was receiving income tax in addition to royalty. The Iraq Petroleum Company and new Kuwait oil concession paid six shillings gold per ton as royalty.<sup>21</sup> This was more than three times the royalty paid to Iran. Non-compliance of the oil company with the terms of the 1933 oil concession, as well as the concession itself, had become a matter of great concern for Iranians. The stubbornness of the company officials was very obvious as early as 1949 when Prime Minister Saed secretly visited London. His attempt to resolve the matter was to no avail.<sup>22</sup>

The Iran and oil company relationship was an important issue as it was a source of social discontent. The relationship was far from satisfactory. There were numerous examples of this. On 2 July 1946, workers went on strike in Aghajari making a number of demands amongst which drinking water and decent pay including that for the Friday. The wages were low and would not extend to Fridays which were public holidays. The company's response was to encourage native Arabs to form the Arab Union ! The infuriated labourers clashed with Arab Union members in mid-July during which two of its members were killed. At about this time, the interest for labour legislation amongst artisans was strong. A large number of

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<sup>21</sup> There has never been a coin representing four shillings gold. The interpretation in banking and foreign exchange transactions was that four shillings gold represented one-fifth of a gold pound.

<sup>22</sup> PRO FO 371/75480 E 12712/1055/34/18 October 1949.

artisans were attracted to the Zahmatkeshan Party (Toilers) led by Baghai. He came from a religious family but had democratic sentiment and appealed to the labour force. On 13 July, the whole oil industry in Khuzestan stopped. Ghavam declared martial law in the province. The British Navy's presence in the Persian Gulf was intensified and troops were put on alert in British India. The strike, however, broke down with the intervention of the Tudeh Party. The reason was that the Tudeh was in the process of forming a coalition cabinet with Ghavam.

The standard of living of the Iranian employees had improved but industrial relationship was poor and Iranian employees lived apart from foreign employees. Not only British officials even ordinary British employees lived in European sectors isolated from the Iranian society. This had caused resentment amongst the Iranian employees. The oil company officials, however, carried on mistreating their Iranian employees, described by Fateh as perhaps one of their gravest mistakes.<sup>23</sup> Fateh had spent his whole career with the oil company. The company officials behaved irresponsibly when on the eve of the Iranian New Year, March 1950, they dismissed 500 Iranian workers, a move which was so outrageous that the Department of State recommended that American Oil Companies should not behave like this. They suggested good labour relationship and encouraged consideration of public sentiment.<sup>24</sup>

The Iranians had found it very disturbing that high positions in the oil company and decision-making were exclusive to British subjects. Up to 1935, 92 per cent of Iranian employees were illiterate.<sup>25</sup> As reported by New York Times, by 1950, the highest ranking Iranian in managerial hierarchy was assistant general manager

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<sup>23</sup> Fateh, pp 447.

<sup>24</sup> FRUS 1950 Vol 5 pp 86-89 97.

<sup>25</sup> Fateh, pp 443.

and the highest technical position given to Iranians was assistant chief chemist. In 1951, only 10.45 per cent of staff and skilled employees were Iranian. The New York Times reported that, by 1951, only three Iranians had ever been to the control room of the power plant supplying the refinery.<sup>26</sup> By 1951, the oil company had refused to let Iranian officials, as well as British ones, see its accounts!<sup>27</sup> The oil company's personnel policy must have been a disgrace. Nobody appeared to have tried to understand the Iranian employees and the reason behind it was most probably British character. They hardly attempted to know people's way of life and aspirations. Their arrogant attitude had long been noticed by Iranians. (ref)

The colonial frame of mine and offensive remarks made by some British officials were deeply resented the Iranian intellectuals. An example is the remarks made by Shinwell. Defence Secretary Shinwell warned against the "*sport of twisting the British lion's tail*"!<sup>28</sup> The colonial practices of the company officials who saw their only role to exploit oil at minimum expense without little or any regard for the country itself was evident.<sup>29</sup> The oil deposits were transformed into an energy source of great value but the imperialistic patterns adopted by the company officials had long resulted in deep resentment and suspicion. Some of their decisions still remain difficult to understand. As mentioned earlier, on the eve of the Iranian New Year in March 1950, they suddenly laid off some 500 Iranian employees. Their number later on reached 4000.<sup>30</sup> Their attitude was most probably to antagonise rather than to cooperate with Iranians. Even assuming that they

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<sup>26</sup> New York Times, 31 January 1953, pp 6.

<sup>27</sup> Williams, pp 249-254.

<sup>28</sup> Attlee, pp 175-176.

<sup>29</sup> This may be briefly summarised as : 1- royalty payment at a lower rate of gold price, 2- British income tax deductions, 3- dividend limitations, 4- oil sale at non-commercial prices, 5- domestic consumption of oil, 6- employment policy.

<sup>30</sup> FRUS 1950 Vol 5 pp 86-89.

could not read Farsi or unwilling to mix with Iranians, at least one leading journal of oil industry had published a series of articles warning about lack of compromise over oil concessions in the Middle East.<sup>31</sup> This was the way British officials saw their relationship with Iran, but why was the attitude of the British employees not different ?

The answer again is not difficult to find. The resident employees were indebted to the oil company for facilities of every kind offered to them. Most probably they saw themselves as a part of the company on which their job was dependent. Foreign staff lived in their own quarters, they were not encouraged to travel into Iran, they did not read Farsi publications, and the company's daily bulletin did not contain anything about Iranian problems. The segregation must have been complete in the use of public facilities, employment and social activities which were exclusively British.

There is one more explanation for the stubbornness of the company officials. Whilst the American tax law allowed deduction of tax before profit calculations, the British tax law, perhaps in view of the hardship of war years, had no such provisions. Some of the remarks made by British Officials in this respect are of interest. The Inland Revenue would not break the taxation law "*in order to make concessions to the Persians.*"<sup>32</sup> Their attitude's towards Iran was also remarkable. At the same time when American oilmen exercised high order of business statesmanship in dealing with Saudi Arabia, the British comment on Iran was that "*if you give the Iranians an inch they'll take a mile*"<sup>33</sup> Neither side was capable of finding a quick settlement for the oil dispute as the dispute was subject of political

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<sup>31</sup> Oil Forum, November 1948 to February 1949.

<sup>32</sup> PRO FO 371/75496,2 April 1949, Chadwick Note, Anglo-Persian Oil Company.

<sup>33</sup> McGhee, Envoy to ... pp 324.

considerations on both sides. The problem with the oil company was not only financial grievances. The Iranian Government accused the oil company of turning Khuzestan into an autonomous province and interfering with the affairs of the Central Government by bribing officials and encouraging them to be more loyal to the oil company. In Khuzestan, it looked as if the oil company was a government within a government.

This attitude and behaviour in a society so proud of its cultural heritage and civilisation was most outrageous. The Iranian's consciousness of his cultural heritage and history has a significant bearing on the Iranian nationalism. His belief of his cultural pre-eminence in the Middle East gave him a feeling of uniqueness worthy of international respect. This consciousness and such a feeling helped rapid development of nationalistic values within the Iranian society. Naively, one might think that British, in view of their democratic system, should have considered Iranian liberals as their ideological brothers. The colonial system of exploitation had no provisions for such considerations.

Most Iranian nationalists were European educated and had come to contact with nationalism as a European phenomenon and experience. However, there were traditional nationalists in every walk of Iranian life who had nothing to do with Europe. Examples are bazari elements and clerics. Clerical support for Iranian nationalism in general and for the oil nationalisation in particular was diverse. Some clerics like Kashani had liberal values and saw Iran as a part of the Islamic community. They were, however, concerned about the secular consequences of nationalism. Most probably, they supported nationalists in an attempt to reduce the foreign influence in an Islamic society.

Despite their differences with secularists, in the period of January to March 1951, the clergy actively supported the National Front but for different reasons. Seven leading mollahs joined Kashani and a decree was issued in February asking moslems to support the movement. In a telegraph to the Majles, some clerics requested immediate nationalisation of the oil.<sup>34</sup> In a declaration, Kashani had already discussed the nationalisation from religious point of view. Holding Britain responsible for Iran's poverty and backwardness, he said that Iran should follow the example of Indians, Irish and other freedom fighting peoples. According to Kashani, this was a part of duty of every moslem Iranian.<sup>35</sup>

Kashani's declaration encouraged low-level clerics to ask for guidance from the high-ranking clergy. Khonsari, a leading cleric, issued a decree in which he called the oil nationalisation in harmony with principles of Islam.<sup>36</sup> Other leading clerics, Ghomi, Mahalti and Shahrudi, issued similar decrees in which they emphasised the fact that moslem property should be controlled by moslems and asked the public to join Kashani. There was no mention of non-moslem Iranians in these decrees.<sup>37</sup>

By late 1940's, clergy could be classed into three groups. One group traditionally supported monarchy and had nothing much to do with the oil nationalisation. Examples of these were Behbehani, Hojjat, Sadr and Fayz.<sup>38</sup> It was only after Razmara's assassination in March 1951 that a number of religious leaders came forward in support of the oil nationalisation amongst them Khonsari, Mahalati, and Shahrudi. The second group, led by Kashani, were the most politically active. Kashani was sent to exile in early 1940's for pro-German activities. In 1949, he

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<sup>34</sup> Bakhtare-Emruz, 12 Dei 1329 (2 January 1951).

<sup>35</sup> Etelat, 30 Azar 1329 (21 December 1950).

<sup>36</sup> Elwell-Sutton, *Persian Oil*, pp 204.

<sup>37</sup> Etelat, 12 Esfand 1329 (3 March 1951).

<sup>38</sup> Richard cited in Keddie (1983), pp 104.



was arrested for being involved in the Shah's assassination attempt. This time he was sent to Turkey. He returned to Tehran in 1950 as a Majles deputy.

The third group were the militants, Fadayian Eslam, who adopted political assassination as an official policy. They were responsible for the assassinations of 1940's. In February 1949, a religious conference was held in Qom forbidding religious activity by the clergy. Burujerdi was not interested in politics and the decision was most probably taken in support of the political establishment as clergy was happy with the demise of the Tudeh Party. In later years, Burujerdi refused to support oil nationalisation. He was single-minded as in 1960 he opposed land reforms. He died in 1961. Unlike Burujerdi, Behbehani was politically active and acted as a link between the government and the clergy. Kashani defied the non-involvement in politics and made a statement in exile attacking offering the Shah power to dismiss parliament through constituent assembly.

The clergy had opposed the Shah but they did not want the Shah or monarchy removed. In 1925, they preferred Reza Khan to a republic like that of Turkey perhaps fearing that like Ataturk, the republicans would separate religion from politics. The only cleric to oppose Reza Khan was Modarres who led the opposition in the 3rd Majles. Now in 1940's, they considered the Shah as the only Shia king in the world in whose name religious establishments could be maintained. In February 1953, when a rumour was spread that Mosaddegh had forced the Shah to leave the country for a visit, Kashani and Baghai joined together to take action against Mosaddegh. There was a mob attempt on Mosaddegh's life.

The clergy had an advantage over the Western educated. They were able to reach the religious labourers much easier. Clergy never formed a political party

but they easily appealed to the bazari elements and could mobilise thousands who had little understanding of the complications of Iranian politics. In addition to artisans, university and high school students were available to secular and leftist groups. Unlike supporters of Kashani, they were capable of sustained political purpose. Clerics could lead because the public mainly came from lower middle class with religious background who traditionally turned to clergy. An example of this is the Shah's downfall. They managed to mobilise the political mass through the clerics.

In 1949, the Iranian society was engulfed in a major tide of nationalistic sentiment. The heated Majles debates and fierce press opposition to the Supplementary Agreement generated a politically-charged atmosphere. The liberal nationalist groupings shifted more towards Mosaddegh and resulted in the formation of National Front in October 1949. Most members of the National Front had one goal to bring an end to the imperialistic intervention in Iranian domestic politics. This movement was mainly directed at Britain as Britain was in an overwhelming position in the Middle East for many decades. As public resentment was mainly directed against Britain, its main commercial concern in Iran, the Anglo-Iranian Oil Company, became the main target of the nationalist campaign. The oil company had become the symbol of the British imperialism. Britain had 51 per cent share in the company. During the Second World War, it provided cut price oil products to the British Navy. Besides, the oil company had become, through interference in the Iranian politics, an instrument of exploitation and oppression. In Khuzestan, some Iranian officials seemed to be more loyal to the oil company than to the central government. To the British, the oil company was a part of their

defence strategy, political influence, wealth and pride.<sup>39</sup>

A rarity amongst the oriental countries, Iran has maintained a multi-ethnic state for the past several centuries. Iran has been ruled by kings belonging to different tribes including Turks, non Farsi-speaking provinces have also been able to identify themselves with Iran's history. This might explain why support for Mosaddegh was so widespread in 1951. The major problem with Iranian nationalism, however, was that although nationalistic aspirations were easily understood by the ordinary people, these aspirations were to lead to the establishment of liberal institutions of civil rights. The comprehension of liberal values required certain degree of political sophistication which Iranian public and many leading figures lacked. It was nationalism of ordinary Iranians that created the potential for great changes in Iran rather than the liberal values of Iranian liberal nationalists. The fact that nationalism was only a sentiment might explain why Constitutional Movement of 1906 and the movement for the oil nationalisation in 1951 did not succeed. Why did the movement not succeed ?

First one can consider the question whether Mosaddegh's ideals had any ideological basis. Mosaddegh and his supporters had democratic views but they never, at least up to the formation of the National Front, presented any ideological formulation for Iranian problems. This deficiency of Iranian nationalism of these years had been noticed by the westerners, at least since 1917, when Edward Browne characterised Iranian reformists as more nationalist than democratic.<sup>40</sup> Studying Mosaddegh's political life and in particular his speeches indicates that whatever he said or did was his own program.<sup>41</sup> His speeches which range from oil to the

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<sup>39</sup> For details of the oil company's interference in Iranian politics see Fateh or Makki, the Black Book.

<sup>40</sup> Ramazani, *The Foreign Policy of Iran 1500-1941* ..., pp 81-113.

<sup>41</sup> Makki, *Mosaddegh's Historic Speeches*. Also see Keyostovan, Vol 2.

construction of railways in Iran all indicate an ideological uncertainty and a desire for independence.

The next question is whether National Front was a liberal democratic organisation with firm political backing. The answer is most probably negative when it is realised that some groups joining National Front had undemocratic orientation. Examples are leftist Zahmatkeshan party (Toilers), Pan-Iranist Party on the right and the fascist SUMKA.<sup>42</sup> There is doubt whether Fadayian Eslam (Devotees of Islam) joined National Front. However, Mojahedin Eslam, a group close to Kashani, did and Kashani himself supported the National Front. The religious orientation of these groups contradicted the secularism and liberalism of Mosaddegh. Many religious elements fiercely opposed secular values suggesting that National Front and the nationalistic movement of the late 1940's was undemocratic. One aspect of Iranian culture should not be overlooked; the interest in personalities than ideologies. Mosaddegh's appeal, for instance, was so strong that he reached a symbolic status that no one could easily oppose him. Baghai lost much of his democratic support when he broke with Mosaddegh. Kashani's status amongst clerics was similar to that of Mosaddegh amongst secular nationalists. His defection from Mosaddegh in the early 1950's was significant as it caused a polarisation amongst politically active supporters. Clerical leaders followed Kashani but majority of Majles deputies and bazari elements remained with Mosaddegh.

Mosaddegh's era may be called a period of constitutional revival with early hope and promise for a pluralistic political system. However, the movement fragmented nationally from the very early stage and although Mosaddegh's government was brought down by a coup, it is true to say that factionalism was more to

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<sup>42</sup> See Section 3.4 .

blame for his collapse than economic and ideological difficulties arising from the oil nationalism. Lack of democratic tradition in Iranian society may be blamed for the factionalism which also provided the opportunity for the royalists to defeat nationalists after the Constitutional Movement of 1906.

Mosaddegh was supported by masses because he appeared to represent the Iranian national community. He was seen to be fighting for an independent, dignified and internationally well respected Iran. The public did not see Mosaddegh as a national leader who attempted to turn liberal thoughts into civil right institutions but mainly as a leader who fought imperialism and international oppression. His speeches<sup>43</sup> indicate that he upheld the principle that Iranians should gain their independence in domestic and foreign politics. Unlike 1910's, in the late 1940's, there was a large urban middle class audience to which a secular national leader could appeal. He had opposed the establishment of the Pahlavi Dynasty for which he spent years in exile. In 1944, he became the author of a single-article bill which banned the grant of any further oil concessions to foreigners. This law provided the basis for the rejection of the Irano-Soviet Oil Proposals in 1947.<sup>44</sup> Mosaddegh, although not a deputy, became the driving force behind the opposition in the 15th Majles. In the late 1940's, it was Mosaddegh's nationalistic appeal to the public which produced such a political standing which brought about the oil nationalisation. The street demonstrations, strong public support and Majles backing produced such dynamism for the oil nationalism that even Mosaddegh would seem unable to affect the course of events.

It was by coincidence that the character of Iranian nationalism began to form

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<sup>43</sup> Makki, Mosaddegh's historic Speeches

<sup>44</sup> See Section 3.9 .

at about the time oil was discovered in Khuzestan. The oil, however, had no impact on the development of the Iranian nationalism for 35 years until it became an issue for public debate in 1944. That is when Kavtaradze arrived in Tehran demanding an oil concession. Economically, the impact of the oil was felt much earlier when modernisation of Iran began. To appreciate the impact of oil on Iranian economy, one can consider Mosaddegh's oil-free policy introduced after 1951 which was an error of judgement. The vast oil resources of Iran should have been properly used for the benefit of the Iranian people.

The liberal nationalistic movement caused a chaotic situation in Iran which threatened British and American interests in the Middle East. Confronted with such a threat both British and American governments decided to replace Mosaddegh's government with one that would serve Iran's stability. Just as they did in 1921 by bringing Reza Khan to power to end chaos, they arranged for a coup to overthrow Mosaddegh.

External intervention has been responsible for great changes in Iran whether positive or negative. The defeat of the Constitutional Movement of 1906 was brought about by foreign interference. Reza Shah came to power by a foreign power and was sent to exile by foreign powers after the occupation of Iran. Mosaddegh was also removed from power by foreigners. After the coup, the secular nationalists were excluded from the politics. As the Shah had lost his legitimacy, the clergy gradually filled the vacuum over many years and appealed to the urban lower-middle class.

### **5.3 A New Demand**

In October 1947, the Majles rejected the Irano-Soviet Oil Concession outright.

Ghavam resigned in December and Mosaddegh, although not a deputy, came close to premiership by one vote. The Speaker of the Majles was unable to form a cabinet. Hakimi received 54 votes against 53 for Mosaddegh ! Had Mosaddegh been elected prime minister, the events of the following years would have been much different. The cabinet of Hakimi was required, by the Law of 22 October 1947, to negotiate with the Anglo-Iranian Oil Company for better terms. The Minister of Finance suggested setting up a special Oil Committee, but Hakimi was succeeded by Hazhir in June 1948 who undertook immediate negotiations with the oil company. The idea of a better oil concession was beginning to take form.

Monarchist favoured economic progress and attempted to obtain American aid. The Allied's declaration of 1 December 1943, which promised economic aid at the end of the war, was a good excuse. The trade and budgetary deficits increased after 1948 and resulted in the deterioration of Iran finances. Monarchists could not afford to finance the Plan Organisation in 1949.<sup>45</sup> After the end of crisis in Azarbaijan, Washington was reluctant to involve itself greatly in Iran. The Soviet threat to Iran was gradually building up and Ambassador Wiley was justifiably accused by Britain for attacking Moscow by encouraging Iran to bring their case before the Security Council for a revision of the Article 6 of the 1921 Treaty of Friendship between Iran and Soviet Union.<sup>46</sup>

As mentioned before, oil had been nationalised in Mexico and American oil companies had undertaken to pay 31.2 per cent tax, in addition to royalties, to the Venezuelan Government. The tax was to be calculated before deductions of the American income tax. Meanwhile, the Anglo-Iranian Oil Company planned

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<sup>45</sup> Review of the Economic Condition in the Middle East, UN Secretariat, Department of Economic Affairs, 1949, pp 70-78.

<sup>46</sup> FRUS 1948 Vol 5 pp 160-161 173.

to build a 30,000,000 pounds refinery in Kent.<sup>47</sup> The huge amount of taxes paid to the British Government were made public. The oil company's profit for the year 1947 rose to over 18,000,000 pounds almost double of profit for 1946. Later on, at the annual General Meeting of December 1951, Fraser declared that unlike Aramco, the Anglo-Iranian Oil Company, was not exempted from British income tax.

The British Treasury had been exhausted due to the Second World War and a limitation had been placed on dividend payments, most probably for the same reason. Was this a proper excuse to pay Iran less ? These facts had come to the attention of the Iranian intellectuals. In the opinion of Iranians, the wealth of the oil company in relation to the financial situation of Iran was outrageous.<sup>48</sup> As an example from the beginning of the Second World War to the end of the Azarbaijan crisis, Iran received 37,488,000 pounds, British Treasury 75,000,000 pounds and shareholders 34,245,000 pounds. In addition to taxes, British Government received 50 per cent of dividends too !<sup>49</sup> The monarchists were also aware of the situation. The Minister of Finance proposed that the Majles should set up an Oil Committee to review the oil situation. The Plan Organisation was to be financed by oil revenues.<sup>50</sup>

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<sup>47</sup> The Oil Company had established a large number of subsidiaries over the years. In April 1929 a list of the Anglo-Persian Oil Company's subsidiaries was given to the House of Commons as : Scottish Oils ltd, British Tanker Co ltd, First Exploitation Co ltd, National Oil Refineries ltd, British Petroleum Co ltd, Tanker Insurance Co ltd, D'Arcy Exploitation Co ltd, Khaneqin Oil Co ltd, North Persian Oil Co ltd, Britanic Estates Co ltd, Anglo-Persian Oil Co (India) ltd. A list given to the House of Commons in March 1953 included Aden Petroleum Refinery ltd, Australin Petroleum Co ltd, and Kent Oil Refinery ltd. National Oil Refineries was established in 1921 to build refineries in Britain. One refinery was constructed in Llandarcy, Wales, in honour of D'Arcy.

<sup>48</sup> A comparison of the funds paid to the British Government in Taxes, to shareholders in dividend, and that paid to Iran is given by Fatemi, N S "Tension in the Middle East" in the *Annals of the American Academy of Political and Social Science*, Vol 282, July 1952. pp 55.

<sup>49</sup> PRO FO 371/Persia,68707/E10496/25/34, 9 August 1948.

<sup>50</sup> See page 52. Also see Plan, pp 242.



The cabinet of Hakimi fell in June 1948. The Shah supported Hazhir who has been described as princess Ashraf's protege.<sup>51</sup> Hazhir formed his cabinet with a majority of 6 votes. Likewise, Hazhir was in favour of economic development and financing the Plan Organisation which required better terms with the oil company. In London, Iran's request for a 10,000,000 pound payment by the company was considered in a meeting between Gass and Treasury officials in August 1948. They agreed with 5,000,000 pounds.<sup>52</sup> At about the same time, deputy Eskandari demanded the nationalisation of the oil industry. The oil company was required by the 1933 oil concession to replace more British and Indian employees with Iranians. Between July and August 1948, talks took place between Pirnia, director of Concessions Department in the Ministry of Finance, with the company's General Manager in Tehran. The company's lack of sympathy disappointed both Pirnia and Hazhir.<sup>53</sup>

Hazhir again negotiated with the oil company and the company dispatched its vice-president Neville Gass, accompanied by three high-ranking company officials, to Tehran. They arrived late August but talks formally started on 26 September and in secret. The Iranian delegate was Varasteh, Finance Minister, Pirnia and Shademan, Minister of National Economy. It soon appeared that the most the oil company was prepared to offer was cash payment to compensate for the loss of dividend payments. In conformity with British Government's policy, the oil company had limited its dividend payment to 30 per cent. Varasteh presented the company with a 25-point memorandum linking the negotiations to Clause E

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<sup>51</sup> The 27 year old twin sister of the Shah was the most politically active member of the Royal family. She carried on interfering with the politics of Iran up to the fall of the Pahlavi Dynasty in 1979. In the last few years of the regime she acquired a reputation for being involved in drug trafficking in Iran. The attempt on her life in Paris in 1975 was related to Mafia.

<sup>52</sup> PRO FO 371/68731, Cripps to Bevin, 14 September 1948.

<sup>53</sup> BP 95576, Northcroft to Gass, 24 August 1948.

of the Law of 22 October 1947, but the oil company was not prepared to consider the memorandum as it had wide implications.<sup>54</sup> The 50-50 agreement was also discussed but Gass explained that as the oil company's operations had extended outside Iran, this would result in unreasonable share of the profits in that Iran would have shared profits of the operations in Iraq and Kuwait ! The Bank of England's gold price exchange rate as well as company's employment policy were discussed but no specific agreements were reached.<sup>55</sup> The Majles and the press made severe criticisms of the secrecy of talks and Varasteh resigned on 7 October. The negotiations ended on 13 October and the oil company officials left for London with the memorandum on 18 October 1948.

The parties agreed to meet again in three months, but Hazhir's cabinet resigned on 6 November 1948 perhaps because he could not get the budget through the Majles. One reason for this was that although deputies had been elected through rigged elections, by now they had been divided into at least 6 factions and Hazhir's vote of confidence had disappeared. The 15th Majles had only 6 months before dissolution and because of political instability there was less legislative activities. This was a characteristics of the Majles. In 1911, for instance, nationalists closed the Majles down for 6 years to avoid ratification under Russian pressure !

Regardless of the Majles mood, a much more experienced prime minister was needed to deal with the oil issue. Saed, suspected of favouring Britain, formed the next cabinet. Golshayian was appointed as the Minister of Finance and was given the task of negotiating with the company. The Government sought advice from Max. Thornburg, the advisor to the Plan Organisation. Early 1949, it was

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<sup>54</sup> See page 106.

<sup>55</sup> BP 71181, minutes of negotiations in Tehran, October 1948.

revealed that the British Government received 15,000,000 pounds in income tax for the year 1947 compared to 7,000,000 pounds paid to the Iranian Government. On 20 January 1949, deputy Eskandari launched a bitter attack on the government for failing to be tough on the oil company. He talked for three Majles sessions and demanded the cancellation of the oil concession. He persuaded Taghi-zadeh, minister of Finance under Reza Shah, to admit that he signed the 1933 oil concession under duress.<sup>56</sup> Makki and eight other deputies backed him. Why did Eskandari demand oil nationalisation at this time is a question which remains unanswered. It might be that Ghavam wanted to muddy the water to gain power as Eskandari was close to him. However, the attempt on the Shah's life brought a drastic change.

The attempt by a member of Fadayian Eslam who turned out to be a member of the Tudeh Party, gave the Government an excuse to outlaw the Tudeh Party, ban opposition newspapers and impose Martial Law. General Razmara was suspected of being involved in the plot against the Shah but there was no evidence against him. The suspicion was based on the fact that Razmara, who was normally present at such ceremonies, was in his office at the time allegedly waiting to take control of the country had assassination been successful.<sup>57</sup> Soon after, Razmara had allegedly met in secret with Ruzbeh, an army officer member of Tudeh who was on the run.<sup>58</sup> Suspicion grew stronger when on 15 December 1950, Tudeh prisoners broke jail and crossed into the Soviet Union. Razmara was suspected of having cooperated with Tudeh military network. About a week later, deputy Baghai named Razmara in a Majles session as the culprit.<sup>59</sup>

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<sup>56</sup> PRO FO 248/1489, Le Rougetel to Bevin, 2 February 1949.

<sup>57</sup> The Shah, himself, has been accused of being involved in the assassination of Razmara on 7 March 1951 !!

<sup>58</sup> Behnud, Nimruz, 19 Bahman 1375 (8 February 1997) pp 24.

<sup>59</sup> For more on the cabinet of Razmara see Makki, Ketabeh Siah (Black Book).

Razmara was accused of assassination again. On 27 May 1950, deputy Dehghan was assassinated by Jafari a secret member of the Tudeh. In his trial, his defence lawyer, Baghai, stopped short of naming Razmara as the culprit.<sup>60</sup> Razmara was not a communist and this, if true, must have been a part of his power game. His actions were sometimes sinister. For instance, when the first shipload of military goods arrived from America, he refused passes to correspondents who wished to travel to the port of Khoramshahr. By this time, nationalists had to be wary of the Shah as well as Razmara as he had become a major threat to both.

The clergy was happy with the demise of the Tudeh. Burujerdi, a leading molla, sent the Shah a telegraph of support. This was not unusual for clergy although Kashani was in exile in Beirut. The British delegate, headed by Neville Gass, returned to Tehran on 9 February and negotiations began on 13 February. The new Minister of Finance, Golshayan, headed the Iranian delegate and an advisory committee represented Iran. These were Jean Rousseau, a French expert, Emami, former legal advisor to the oil company, Jahangir, deputy Governor of Bank Melli Iran (National Bank), Pirnia, Shademan and Adl, a cabinet member. The government claimed that they had invited Taghi-zadeh, Mosaddegh, Ebtehaj, Governor of the Bank Melli Iran, and Matin-daftari, a former prime minister, to cooperate but they all denied this !

The Government asked a 50-50 share of profits, control over the operations inside and outside Iran and, in view of the changes in the world, a review of the agreement every 15 years. As all the oil industry had expanded on profits made of the Iranian oil, the legal advisers had agreed that there should be no separation of the oil activities otherwise the oil company would simply transfer

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<sup>60</sup> Shahed, 21 Shahrivar 1329 (12 September 1950).

refining overseas. The company officials may have believed that Iran had invested no capital neglecting the fact that oil was in itself a capital asset. There was a further demand for back payments for the years 1947 and 1948. The 50-50 share was now the key proposal on the Iranian agenda. It might seem strange that Moscow's 50-50 offer on the Northern oil had been rejected by the 15th Majles in 1947 but that was for a different reason, and besides the dispute was not solely financial.<sup>61</sup>

As before the British delegate did not agree with new demands. The company officials appeared to agree with back payments and an increase in royalty payment from 4 shillings gold a ton of crude oil to 6 shillings. The price of gold also was disputed as the company would pay at the Bank of England rate which was some 40 per cent below the market price. The talks broke down and Gass left on 16 March 1949, but monarchists were eager to bring the matter to an end. The Iranian ambassador in London attempted to meet Foreign Secretary Bevin to put pressure on the oil company. Gass returned to Tehran on 18 April 1949 presumably with new proposals but Iranian government was not happy as they contained no advance on the previous proposals.

The government asked the oil company to produce a General Plan within 3 months. The General Plan called for revision of the oil concession every 15 years, revision of the price of the oil products sold in Iran, and Iranisation of the company. Although 97 per cent of the employees were Iranians, the company had failed to raise a young generation of Iranian experts and there was no Iranian on the board of management.<sup>62</sup> The government asked for further talks this time

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<sup>61</sup> See Chapter 3 for details.

<sup>62</sup> BP 3B 5086, Meeting, 26 April 1949.

with the chairman of the oil company, Sir William Fraser. Fraser agreed on the condition that he negotiated with the Iranian prime minister ! He left London on 28 April. On the same day, Bevin informed the Iranian Ambassador that he considered the oil proposals fair !

In May, Fraser presented the Iranian government in secret with the draft of a document which contained nothing but the proposals which had already been rejected by Iran. The British contempt for Iran was obvious. The Finance Minister Golshaiyan put forward a new proposal which would eventually increase the Iranian share to 50 percent. He asked for one-sixth of the extracted crude oil, 6 shillings gold per ton of crude oil, and 20 per cent of the gross profits. The payment in shilling gold was to cover for sterling devaluation. Fraser saw this inconsistent with the concession. The secrecy of the negotiations caused some Majles deputies to voice concern about publicity. There is still a question as to the appropriateness of the secrecy involving the talks. The public had a bad view of both sides and it may be suspected that had public opinion been sought, there might have been a chance of reaching an agreement acceptable to the public.

Fraser left Tehran On 14 May. In the absence of Fraser, the government invited some deputies to a meeting and informed them of their attempt to secure better terms for Iran, but when the oil issue came up for debate deputy Rahimian again demanded oil nationalisation. Fraser returned to Tehran. The Majles authorised the Government to resume negotiations but Fraser, very rigidly, declined to agree with any demands made by the Government. The monarchist's tactic was to make a number of demands and retreat step by step until an agreement was reached. There was still disagreement over the details of the General Plan and it appeared that a settlement on the General Plan would not be reach before Majles expired.

On 17 July 1949, negotiations between Gass and Golshaian led to an agreement acceptable by monarchists to supplement the 1933 oil concession. This agreement came to be known as the Gass-Golshaian agreement or the Supplementary Agreement. It was written in a technical language and was cross-indexed to the 1933 oil concession, that is perhaps why few officials bothered to read it ! It provided for increased royalties and reaffirmation of the 1933 oil concession.<sup>63</sup>

One newspaper reported that monarchists were so confident about the passage of the agreement that there was a quarrel between the Shah and Nasr, head of the Plan Organisation, over how to use the revenues. The Shah wanted to spend much of the revenues on the army !<sup>64</sup>

#### **.4 Oil Issue : a public concern**

The 15th Majles was to expire on the 28 July 1949 and Government's hope was to rush the agreement through, which they did on the 19 July. The newspapers published the contents of the agreement on 20 July. Iran was to receive more in royalties but only from 1948 onward and all the previous claims were to be settled for a sum of 3,000,000 pounds. The 15th Majles election had been completely rigged but there were a few nationalists who formed an opposition to the agreement. They were Makki, Baghai, Azad, Hayeri-zadeh and Nariman. It has to be mentioned that while negotiations over Supplementary Agreement was going on, in January 1949, deputy Eskandari suddenly voiced concern over the oil dispute. Eskandari was closely associated with Ghavam and it is probable that Ghavam was planning to provoke the West to bring him back to power to resolve the oil issue ! Eskandari called on Taghi-zadeh to give the Majles his account of how the 1933 Oil

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<sup>63</sup> For details of Supplementary Agreement see Shwadran, pp 105.

<sup>64</sup> *Iraneh Ma*, 25 Esfand 1328 (16 March 1950).

Concession had been obtained. Taghi-zadeh, the Minister of Finance under Reza Shah who had signed the 1933 concession, told the Majles that he had signed it under pressure and that the extension of the D'Arcy concession was Reza Shah's fault.

Deputy Makki read out a letter from Mosaddegh in a Majles session in which Mosaddegh advised the deputies to pursue the oil issue. The press had been alerted to the issue and public opinion was aroused against the Supplementary Agreement. The campaign outside the Majles included bazaaris, university students, intellectuals and for the first time, the public, as public meetings were frequent. The public sentiment had been aroused before in the summer of 1947 and over the Irano-Soviet Oil Concession but public gatherings were not so frequent and widespread. The Times correspondent made an interesting suggestion that Iran should hold majority of shares in further oil developments with a maximum of 15 per cent to foreign companies. Some Majles deputies also made their opposition clear. Deputy Etebar attacked the Anglo-Iranian Oil Concession. Deputy Masudi, the proprietor of the influential daily *Etelat*, suggested that only Iranian companies should exploit Iranian oil. However, he did not say where the expertise should come from ! The question of expertise was an important one. Any impartial person with some knowledge of the oil industry would suspect Iran's capability of running the oil industry. The problem was not only operating the Abadan refinery but shipping and marketing as well.

As Majles was to expire on 28 July 1949, time was running out. Saed asked the Majles for evening sessions to debate the agreement, but opposition deputies walked out to prevent a quorum. The opposition tactic was to drag out the proceedings, so they resorted to filibustering methods and prolonged speeches. There



was not much time left and nationalists had to stop the bill to come to a vote. Makki opposed the bill by saying that the country was in a turmoil, the press had been banned and suppression of public opinion limited discussion of the oil issue.<sup>65</sup> He kept questioning Minister of Finance in details for few days to buy time. Eventually, he found a way to make sure that the agreement would not go through the Majles. There was no time limit on speeches made by the deputies. Makki slept at the Majles to register to make a speech. On the very last day, he kept talking until the Majles actually expired at 1 am !

The main reason for the rejection of the Supplementary Agreement was most probably the fact that since it had been shown that the 1933 oil concession was invalid, then the agreement to supplement it could not be ratified. Also, the government rushing the agreement through the Majles caused a lot of suspicion as to its suitability. Golshayan, in replying to Makkis's questions in the Majles debate, did not appear to be able to defend the agreement sufficiently.

The elections for the 16th Majles should be considered as a turning point in the process of the oil nationalisation. The rejection of the Supplementary Agreement had made the question of oil an important electoral issue. In the last days of the 15th Majles, Saed had announced that the new elections would commence on 6 August 1949.<sup>66</sup> The government's attitude towards the oil company was interesting. Despite opposition to the Supplementary Agreement, Foreign Secretary Hekmat, pretended that the new Majles would quickly pass the bill. He asked the oil company for 6,000,000 pounds advance against the future royalties ! The company agreed to pay but Finance Minister Golshaian refused the offer because under

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<sup>65</sup> Etelat, 28 Tir 1328 (19 July 1949).

<sup>66</sup> PRO FO 248/1489, Le Rougetel to Attlee, 1 August 1949.

the Iranian accounting procedures, funds in the form of an advance would go to the Plan Organisation.<sup>67</sup> This was a further indication of the internal feud between Iranian politicians. The request for an advance also indicates that the government may have felt the financial effects of the non-ratification of the Supplementary Agreement as in October 1949 Saed arrived in London for Private medical treatment. Iranian politicians and diplomats have used such excuses as a cover for their missions abroad. A further indication is the Shah's trip to Washington in November 1949. However, despite meeting Bevin and having lunch with Fraser at Britanic House, the oil company's headquarters, Saed returned to Tehran without immediate financial help.<sup>68</sup>

The Tehran elections in the late 1949 became subject of a major controversy. On 13 October 1949, a large crowd accompanied a number of nationalists including Mosaddegh for a sit-in in the Shah's palace demanding new elections.<sup>69</sup> Mosaddegh and 19 other nationalists were allowed into the palace. As negotiations got nowhere they decided to go on hunger strike, but this collapsed. This group of nationalists had a reputation for decency.<sup>70</sup> They were Shaigan, Sanjabi, Nari-man, Fatemi, Zirakzadeh, Baghai, Azad, Moshar, Makki, Amiralai, Hayerizadeh, Gharavi, Sadr, Naini, Khalatbari, Maleki, Khalili and Amidi-Noori many of them Western-educated and lecturers at Tehran University.

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<sup>67</sup> PRO FO 371/75499, Lawford to FO, 18 September 1949, FO to Tehran, 28 September 1949.

<sup>68</sup> PRO FO 371/75500, Bevin to Le Rougetel, 26 October 1949.

<sup>69</sup> See page 75.

<sup>70</sup> The public had a bad view of certain deputies. Mir-ashraafi, for instance, was known as *lastic dozd* meaning tyre-thief for he had been accused of stealing tyres in a Government Department. This was a characteristic of the Iranian society then. National Treasury made raids on Plan Organisation funds to meet budget deficits. There was in-fighting amongst personnel in the Plan Organisation. Ebtehaj was exiled to Paris (Tulu, 12 Mehr 1329 (4 October 1950)). Later on, Thornburg blamed the Plan's low performance on young men without experience and old men with titles. He said that in America a man would be judged on his ability to have some worthwhile task performed rather than the title he carried around ! (Keihan, 18 Mehr 1329 (10 October 1950)).

Not being successful at the palace, they sought a better way of dealing with the ruling system by establishing a political organisation. Fatemi, the editor of *Bakhtareh-Emruz*, which started publication in summer 1949, suggested a strong party or a powerful front.<sup>71</sup> The choice fell on a front whose formation was announced on 23 October 1949. Bearing in mind that the bulk of the Iranian population was illiterate, it is not surprising to learn that the National Front attracted mostly the middle class. It mobilised civil servants, professionals and students through Iran Party and Pan-Iranist Party, and bazaris, mollas and theology students through the support of the clergy. The Front was a coalition of the traditional and modern middle class the conflict between them had been revealed as early as the Constitutional Movement of 1906.<sup>72</sup>

By the early 1940's another class had been added to the Iranian society, an urban middle class of artisans and the educated, the children of recent modernisation. The urban middle class was represented by the bazar and merchants outside the bazar as well as the intelligentsia. The intelligentsia were teachers, university members and professionals. If group struggle was a feature of life in traditional Iran, in the 1940's class struggle was introduced as a novel ingredient of political life for which Tudeh party was mainly responsible. The new middle class called for nationalism, modernisation and obviously for secularism. The lower class who had the most to gain from social reform, were the least radical of all. The reason was most probably the fact that the lower class was illiterate and superstitious. The Marxist Tudeh never produced any proper analysis of the Iranian peasant's conservatism. In such an environment, political action could only occur when ordered by feudal superiors and this is how some of them managed to cause unrest or gain

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<sup>71</sup> *Bakhtareh-Emruz*, 1 Aban 1328 (23 October 1949).

<sup>72</sup> For details see Chapter 2.

access to the Majles. The traditional middle class was theocratic. The modern middle class was technocratic. It was the oil issue and the respect for Mosaddegh which prevented an open split amongst them rather than their anti-court feelings. The coalition between Mosaddegh and Kashani, between Mosaddegh and Baghai, are examples of this.

By the late 1940's the Shah's control over the army had grown. Nationalists were concerned as the army appeared to be a major threat to the civilian control of political power. Apart from the possibility of a coup, with the help of gendarmes, the army was capable of election rigging in rural areas, just as police was in urban areas. The Shah's relationship with the high-ranking army officers was of great importance. The Shah was traditionally head of the army and would appoint the high-ranking officers, but he had to be concerned about conspiracy between them. As a precautionary measure, he appointed rivals to top military and police posts. In the late 1949, General Zahedi was Tehran's Police Chief and General Razmara, chief of the Staff.

The nationalists were concerned about the 16th Majles re-elections as Hazhir, the pro-Shah Minister of Court was in charge of the elections. Hazhir fell victim to an assassination early November 1949.<sup>73</sup> The nationalists had nothing to do with the assassination but they were arrested and Mosaddegh went to his village of Ahmadabad. Few days after Hazhir's assassination some American senators visited Tehran followed by the arrival of the Under Secretary of State, George McGhee.<sup>74</sup>

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<sup>73</sup> He was shot by Emami a member of the Fadaian-Eslam. Emami had assassinated Kasravi in March 1945. Hazhir had used his influence to save Emami from justice to impress the clergy ! The ruthlessness of the clergy and their betrayal of their non-clergy allies occurred many times after the Revolution of 1978-79.

<sup>74</sup> Bakhtar Emruz, 19 Aban 1328 (10 November 1949).

When the new elections began, the rivalry between two generals benefited nationalists. Zahedi, the police chief of Tehran, had already quarrelled with General Razmara, chief of Staff. Perhaps motivated by hostility, he made sure that in Tehran, no one rigged the ballot boxes with the help of the Army ! It was common for the army officers in those days to replace the ballot boxes with faked ones. As a result several nationalists including Mosaddegh were elected to the 16th Majles in which the oil nationalisation was the major issue. Other nationalists elected were Shaigan, Baghai, Makki, Nariman and Hayerizadeh. Saleh was elected from his native Kashan.<sup>75</sup> The National Front secured only 8 seats out of 136 and formed the opposition. The events of the later months showed that they exerted control over Majles proceedings. But how was it possible for a small group to have control over the oil policy ? As explained in Chapter 3, there was no tradition for democracy to rely on and no political party in Western sense as faction ruled rather than parties. Mollas temporarily supported nationalists and Majles factions were flexible. The press and public supported nationalists and a small group could achieve a political goal disproportionate to its numbers. However, one question remains to be answered. Why did Zahedi suddenly support the National Front ?

It might be argued that the Shah who was to make a trip to Washington in search of aid may have decided to put his house in order by allowing a free election to take place to impress American statesmen. This might be supported by the fact that Zahedi turned against Mosaddegh only 4 years later and took part in an American coup which brought Mosaddegh down in August 1953. Washington was critical of the government of Kumintang because of corruption although in accordance with their policy of containment, they strongly supported Taiwan.

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<sup>75</sup> Zahedi was appointed by Mosaddegh as Minister of Interior in April 1951 when Mosaddegh formed his government.

Washington had suggested to Chiang Kai Shek to make economic and social reforms. Instead he decided to find a military solution for China. Lack of confidence in his government was such that eventually his soldiers did not fight for him and American military goods ended up in communist hand as a result of mass defection. This might suggest why the Shah wanted to present a better picture of Iran.

Despite this, the political turmoil in Iran in Autumn 1949 due to the 16th Majles election and the Shahs trip to Washington appears to have made little impact on Western politicians. Assistant Secretary McGhee, for instance, had a series of meetings with the Under Secretary of State Michael Wright between 14 and 20 November 1949. They showed no concern over Iran as they discussed all the Middle eastern topics except Iran !<sup>76</sup> On his return, the Shah opened the 16th Majles without the presence of the majority of deputies. This was against the constitution.<sup>77</sup>

Ambassador Wiley was keen on the Shah's trip but the opposition press criticised its wisdom and compared it with the trips of Naser-eddin Shah and his son Mozafar-eddin Shah who granted concessions or borrowed money to travel to Europe. This comparison was wrong as the Shah was attempting to obtain economic aid. The Shah's unsuccessfulness in Washington may be explained through the fact that the new American administration in 1949 was unwilling to assist countries outside Europe. In this respect comments made by McLleland, Acheson's biographer, are of interest. He described Secretary Acheson as having little knowledge of the Middle East and respect for third world leaders who travelled to Washington for economic help.<sup>78</sup> Corruption of these countries had an adverse effect on

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<sup>76</sup> FRUS 1949 Vol 6 pp 54-89 579-582.

<sup>77</sup> Etelat, 20 Dei 1328 (10 January 1950).

<sup>78</sup> McLleland, pp 358 398-406.

American view.

The American view of the Iranian Government was best reflected in an article by Ross, the New York Times correspondent, translated by an Iranian newspaper. Ross believed that because of the existence of a "*one thousand family*" in Iran which was mostly consisted of landowners, merchants and feudals, not much progress could be made. According to Ross, examples of this were election rigging, election of corrupt landowners with the help of their peasants, and their infiltration into the Plan Organisation.<sup>79</sup> The following year, Philadelphia commented that how could America make sure that American dollars were not wasted in Iran. The reference was made to Song and Kong brothers in China who had paid American funds into their personal accounts in America!<sup>80</sup> The Shah's attitude towards nationalists also changed. After his return from Washington, he had a long meeting with Mosaddegh. The Shah's idea was perhaps to appease nationalists to pass the Supplementary Agreement through the 16th Majles, or perhaps to keep Saed in power as prime minister.

By the early 1950, it appears that National Front had established itself. The banning of Tudeh may have benefited them. The monarchists had appeased the nationalists and the public and helped to keep premier Saed in power hoping that he could ratify the Supplementary Agreement, but nationalists saw Saed as a pro-British politician. How did Saed remain in power ? It should be noted that free election was limited to large urban areas. The deputies from remote areas were still elected as before. In these areas there was not much need to rig the ballot box as an influential landowner, for instance, could easily secure his seat in the Majles.

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<sup>79</sup> Bakhtareh Emruz, 13 Esfand 1328 (4 March 1950). The term "*one thousand family*" may be translated into English as the "*upper ten*"

<sup>80</sup> Published in Bakhtare Emruz, 24 Sharivar 1329 (15 September 1950).

Saed failed to win a vote of confidence. His cabinet fell on 19 March 1950. In 1949, he was weakened by the inability to bring the Supplementary Agreement to a vote. The Shah, in search of a royalist appointed Mansur prime minister. As the Majles had acquired some political power, it was common for the Majority to give a straw vote before a prime minister was appointed but the Shah did not wait. This indicates the Shah's impatience over resolving the oil issue. Mansur had served as prime minister under Reza Shah. He did not have a cabinet post for 9 years. Mansur had a conviction for embezzlement under Reza Shah. He was too conservative and it appeared that the Shah had not noticed that tackling such an issue required a politician familiar with power game and double-dealing like Ghavam ! or perhaps the Shah was wary of appointing such politicians for they would be independent of the Court. Mansur did not submit the Supplementary Agreement for a vote. Instead, in April 1950, he pursued the failed negotiations for the advance of 6,000,000 pounds. The oil company agreed and the loan was paid. In June 1950, Mansur submitted the bill to the 16th Majles but it immediately came under a much fiercer attack by the nationalists as this time they claim that the oil company had deprived the country of its full sovereignty as it had interfered with government affairs in Khuzestan by bribing Iranian officials. Mansur rather decided to take the issue out of the public debate by setting up an oil committee. In July, Mosaddegh chaired the 18-member oil committee of which 5 member were National Front supporters.

The setting up of an oil committee under Mansur was an important event. This may have been Mansur's idea to take the oil issue out of public debate. Another possibility is that Mosaddegh may have managed to persuade Mansur to give priority to other bills on the Majles agenda rather than the Supplementary



Agreement. Examples of these bills are the Press and Electoral Bill and the bill for Constitutional Amendments and the Budget. Mansur may have believed Mosaddegh when Mosaddegh agreed not to oppose the Supplementary Agreement in return for setting up an oil committee. Shepherd criticised Mosaddegh by calling his political views "*essentially unconstructive*".<sup>81</sup> Mansur was unable to settle the oil issue as he neither obtained Majles approval for the Supplementary Agreement, nor he managed to get the oil company officials to consent to 50-50 share. In view of his short cabinet, his performance and the fact that he was away from politics for 9 years, one might form the opinion that the Shah brought him to power for a quick settlement of the oil issue.

The appointment of the next prime minister has been subject of much debate up to this time. The Shah needed a strong prime minister to resolve the problem. The public was also tired of indecision and demanded a strong man.<sup>82</sup> He turned out to be the 47 year old General Razmara, the chief of Staff. In view of the Korean war and arrival of Ambassador Grady in Tehran, one might form the opinion that the appointment of Razmara was a Western plot. However, there is so far no evidence of this. He had played an important role in Azarbaijan crisis in 1946. In 1948, he managed to bring Gendarmerie under the army control.<sup>83</sup> He had become powerful enough to be considered by some Iranian politicians as a threat to the Shah himself, but by appointing him as the prime minister, the Shah had actually removed him from the army. Although the public was most probably interested in a strong man to resolve the oil issue for the benefit of Iran, their expectation was

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<sup>81</sup> FO 371/82311,EP1016/41, Shepherd to Foreign Office, 28 April 1950.

<sup>82</sup> The idea of a strong man seems to have been supported, if not initiated, by the West. Articles published after Razmara's assassination in March 1951, suggests that in view of the Korean war an army man was needed in Iran. See Payne R "Four Shots in Iran" in the U N World, May 1951, pp 18, U S News and World Report, 16 March 1951, and The Nation, 17 March 1951.

<sup>83</sup> See page 111.

that he would be a politician non-related to the court, like Mosaddegh as most prime ministers of this period were courtiers. That is why Razmara's premiership was unprecedented. However, the arrival of Ambassador Grady coincided with Razmara's premiership. This may have been a coincidence but the press and the opposition made a fuss about it.<sup>84</sup> The nationalists called it a coup by the back door, or in Iranian terms *kuteda-e khazandeh* (creeping coup).

Razmara introduced his cabinet to the Majles on 27 June 1950 and encountered unprecedented opposition. On 13 July 1950, Mosaddegh spoke against the idea of a strong military man in Iran. Comparing Korea with Iran, he said in a Majles sitting that Washington withdrew troops from South Korea believing that a military mission would be enough to support the undemocratic regime of Syngman Rhee. He believed that government should have popular support. Mosaddegh was comparing Rhee with Razmara.<sup>85</sup> Mosaddegh proved right as Washington, most probably in view of the Korean War, supported Razmara by sending shipments of military goods which arrived in December 1950. Baghai, the editor of *Shahed*, made his newspaper the most vocal organ of opposition. Whenever its circulation was interrupted by police and lumpens, he used his immunity as a Majles deputy and distributed the newspaper himself. Makki, Nariman and occasionally Hayerizadeh, helped him with distribution. Baghai was Tehran's second deputy and an heir-apparent to Mosaddegh until his split in 1952. His opposition outside the Majles was significant.

Razmara needed help from the oil company to solve the oil issue as he was

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<sup>84</sup> For a description of Razmara and opposition to his government see Azimi, pp 226-246. Azimi offers a description of the Iranian governments of the 1940's. However, he mainly considers lack of democracy in Iran rather than effect of the oil factor on the conduct of the domestic politics and political behaviour.

<sup>85</sup> *Mozakerateh Majles* (Parliamentary Speeches) 16th Majles, 22 Tir 1329 (13 July 1950).

known to be pro-Western and willing to collaborate which was incidentally the reason for his assassination in March 1951. The American Embassy in Tehran recognised the need and recommended to the State Department that he should be supported. The State Department was concerned that to win the Majles approval of the Supplementary Agreement, the oil company had to make concessions. The American Ambassador to London reported, on 18 July 1950, that Britain did not appear to have much desire to satisfy Iranian nationalists.

Razmara appears to have followed the Ghavam's lead. In 1947, Ghavam delayed sending the Irano-Soviet Oil Concession to the 15th Majles, until he strengthened his position. Razmara may have also decided to improve his prestige. On 25 July, he asked the oil company for a further 25,000,000 pounds advance. He guaranteed to have the Supplementary Agreement passed in 6 months. Fraser considered this unacceptable as, in his view, the oil company was responsible to its shareholders.<sup>86</sup> Razmara, however, supported the agreement but since the oil company refused to increase royalties, he made non-financial requests such as access to company records, lower price of products sold in Iran and an increase in the number of Iranian employees.<sup>87</sup> The negotiations for a 25,000,000 pound loan continued in Tehran but a lower loan of 8,000,000 pounds was agreed upon to be paid in stages.<sup>88</sup> Nationalists saw this a compromise and demanded 20 percent more of undistributed profits. Razmara might have misled the oil company officials about his ability to obtain a vote for the Supplementary Agreement and that is perhaps how he managed to secure financial help. At this time, clergy supported the nationalists through Kashani who blamed Britain for all the sorrows of Iran.

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<sup>86</sup> PRO FO 371/82383, Wright minutes, 4 August 1950.

<sup>87</sup> PRO FO 371/82343, Shepherd to FO, 2 October 1950.

<sup>88</sup> BP Z 0198, Northcroft to Rice, 4 September 1950.

Secretary Acheson warned that the oil dispute had adverse effects on the Seven-year Plan. To this Bevin replied that Anglo-American aid to Iran had to be so coordinated to prevent Iran from using Britain and America against one another. Bevin, having first hand experience in the region was most probably referring to the Iranian policy of using one power to foil another one ! To him Razmara's tactic was ... *bazar method of negotiation* ...".<sup>89</sup> In September, the Foreign Office agreed to a loan.<sup>90</sup> Despite repeated requests by the Oil Committee, Razmara refused to disclose the details of his negotiations with the oil company until at the request of Emami, the leader of the Majles majority and a member of the Oil Committee, he supported the agreement in a Senate speech on 18 October 1950.<sup>91</sup> He had proposed to improve the relationship with America as well as the Soviet Union and had Anglo-American backing.

As explained in the previous chapter the passivity of American attitude towards Iran had diminished by the late 1940's. This was despite their pre-occupation in Israel in 1948. In July, Iran requested 25,000,000 dollar loan from the American-controlled Export-Import Bank. In view of the Korean war Washington decided, in July, that the invasion of Iran would lead to a general war. The defence of Iran was considered to be the responsibility of Britain and it was decided that the oil issue should be settled.<sup>92</sup> Ambassador Grady reminded the oil company officials in July 1950 of the fact that they had a duty to stand against communism in Iran.<sup>93</sup> The company officials saw this as an obsession and not their business.<sup>94</sup>

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<sup>89</sup> PRO FO 371/82375, Bevin to Franks, 12 August 1950.

<sup>90</sup> PRO FO 371/Persia, 82342, EP1119/21/34/18 September 1950.

<sup>91</sup> FRUS 1950 Vol 5 pp 579.

<sup>92</sup> FRUS 1950 Vol 3 pp 1657.

<sup>93</sup> FRUS 1950 Vol 5 pp 576-577n2.

<sup>94</sup> Bamberg, pp 461-462.

However, within Iran, at least from 1944 to 1953, the oil company always blamed the Tudeh Party for its grievances with Iranian employees. The Assistant Secretary McGhee also met with Richard Seddon in Washington.<sup>95</sup> The stubbornness of the company officials was very obvious as early as 1949 when Prime Minister Saed secretly visited London. His attempt to resolve the matter was to no avail.<sup>96</sup>

The American position in 1950 is of great interest as it appears that the State Department officials were trying to act as a mediator to resolve the dispute. They reminded both officials of the oil company and the British Government of the fact that Iranian demands were reasonable. On his return from Iran, McGhee met with Richard Seddon in Washington. Seddon was the new head of the oil company in Iran and McGhee himself was an oilman. Discussing the latest company report, McGhee argued that the time had changed and that the oil company would not suffer much financially by offering Iran a better deal.<sup>97</sup>

The problem with the oil company was not only financial grievances. The Iranian Government accused the oil company of turning Khuzestan into an autonomous province and interfering with the affairs of the Central Government by bribing officials and encouraging them to be more loyal to the oil company. In Khuzestan, it looked as if the oil company was a government within a government.

Washington pressurised London for financial assistance to Razmara. The idea was first put forward, on 8th July 1950, by Ambassador Grady to George Northcroft, chief representative of the Oil Company in Tehran. He also reminded the company of the danger of communism in Iran.<sup>98</sup> The company officials, how-

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<sup>95</sup> FRUS 1950 Vol 5 pp 14.

<sup>96</sup> PRO FO 371/75480 E 12712/1055/34/18 October 1949.

<sup>97</sup> FRUS 1950 Vol 5 pp 14 529.

<sup>98</sup> Ibid, pp 576-577.

ever, believed that financial assistance would be followed by other demands. In September 1950, McGhee met with British officials in London and urged them again to intervene. A meeting with the board of Directors of the Oil Company was arranged during which he urged compromise but directors were not satisfied.<sup>99</sup> One of the directors wrote to Northcroft in Tehran calling McGhee obsessed with communist question and without proper knowledge of the complex issue.<sup>100</sup> This was despite the fact that McGhee was an oil geologist with several major oil companies and must have had adequate knowledge of the oil industry.

The impact of the Korean War on the Anglo-American relationship was obvious. Acheson valued British friendship much and Ambassador Grady knew that he would not go against London. Grady had concluded this for himself and was worried that the loan requested by Iran in July 1950 from the Export-Import Bank was too small to resolve the economic problem of Iran.<sup>101</sup> The British government was worried that the loans before ratification of the Supplementary Agreement would result in later demands.<sup>102</sup> Washington seemed to be worried about the increasing Irano-Soviet trade when in July 1950 the State Department asked Department of Defence to find a market for Iranian rice in the Far East.<sup>103</sup> In October 1950, Iran received 500,000 pounds under Point Four aid program. The 25,000,000 pounds loan remained unpaid.<sup>104</sup>

In a press interview early October 1950, Mosaddegh emotionally stated that the D'Arcy concession, the 1933 concession and the Supplementary Agreement were

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<sup>99</sup> FRUS 1950 Vol 5 pp 581n1 591-602.

<sup>100</sup> Bamberg, pp 461-462.

<sup>101</sup> PRO FO 371/Persia,82342,EP1119/21/34/18 September 1950.

<sup>102</sup> Bamberg, pp 403.

<sup>103</sup> FRUS 1950 Vol 5 pp 608.

<sup>104</sup> Bill J, Mosaddegh ... , pp 216.

all worthless pieces of paper.<sup>105</sup> This excited the public. Although Mosaddegh was not the nationalisation movement, the name Mosaddegh carried a lot of weight. There was great rivalry between Razmara and his opponents inside and outside Majles which helped to strengthen the position of nationalists. On 23 November 1950, National Front deputies asked the Oil Committee to nationalise the oil. The Committee declined but agreed to reject the Supplementary Agreement.<sup>106</sup> Only 5 out of 18 committee members belonged to the National Front but others were sympathetic. In London, Bevin appeared to have sided with the oil company and Fraser, in response to Max Thornburg call for compromise, said that Razmara had his chance.<sup>107</sup>

On 17 December 1950, American petroleum Attache in Cairo visited Tehran and confirmed that Aramco's concession would be fundamentally revised.<sup>108</sup> Ambassador Shepherd suggested asking the Secretary of State to postpone negotiations with Aramco until Supplementary Agreement was ratified.<sup>109</sup> In Iran, the opposition to the Supplementary Agreement was growing. Razmara withdrew the agreement on 26 December 1950. The withdrawal of the Supplementary Agreement caused an increase in nationalistic sentiment and took the British by surprise but *"the fat was in the fire"*.<sup>110</sup>

## 5.5 Removing an Obstacle

After the withdrawal of the Supplementary Agreement, the government was

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<sup>105</sup> Bakhtare-Emruz, 13 Mehr 1329 (5 October 1950).

<sup>106</sup> Makki, Ketabeh Siah, pp 250.

<sup>107</sup> PRO FO 371/Persia,82343,EP1119/62/34/15 December 1950, and 91481,EP1102/1/9 January 1951.

<sup>108</sup> PRO FO 371/Persia,82343,EP1119/64/18 December 1950.

<sup>109</sup> PRO FO 371/Persia, 91521,EP1513/13/21 December 1950.

<sup>110</sup> McGhee, Envoy to ... pp 325.

reluctant to pursue it in the Majles and preferred to buy time by referring it to the Oil Committee. In December 1950 public demonstrations were frequent. Kashani asked the public to press for the oil nationalisation until the Majles majority agreed with it. In his parliamentary speech of 26 December 1950, Furuhar, Minister of Finance, claimed that the withdrawal was with the agreement of the prime minister. He was criticised in a Majles debate for mishandling the situation. Although supported by the public, nationalists did not succeed in obtaining enough signatures to propose a bill for the nationalisation of the oil. They took their case to the street by organising rallies and demonstrations.

Their first rally on 29 December 1950 drew a crowd larger than any time before. This was followed by the news of the 50-50 agreement between the Saudi Arabia and Aramco which reached Tehran on 31 December 1950. American politicians took an active part in producing the 50-50 agreement. McGhee, some departmental representatives and American Ambassador to Saudi Arabia had at least two meetings with Aramco representatives.<sup>111</sup> The 50-50 agreement was nothing new. It was a reasonable way of sharing profits and had been adopted by some oil companies. Moscow offered Iran 50 per cent share of profits in the Northern oil but the Majles rejected it. In 1947, Gulf Oil Corporation and the Shell Petroleum Company reached an agreement to give Gulf 50 per cent of the proceeds of marketing oil by Shell. Also Venezuela received 50 per cent in 1943.<sup>112</sup>

The Aramco's offer was restricted to operations in Saudi Arabia which suggests why British officials were not keen on it. All of the Oil industry had developed on the Iranian oil, but now in the 1950's the oil company held shares in Iraq and

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<sup>111</sup> Ibid, pp 324.

<sup>112</sup> Yergin, *The Prize ...* , pp 448.



Kuwait and through its subsidiaries in many other countries.<sup>113</sup> Early 1951, they offered Razmara in secret 50-50 share but he did not make the offer public. In January 1951, the oil company directors decided to pay royalties at a higher rate, but Razmara and the Shah asked them not to announce the decision as deputies would suspect collusion between Razmara and the oil company.<sup>114</sup> The British Government now appeared to be worried about the situation as they suggested separation of the oil company operations in Iran from other countries to give Iran more control. The Labour adviser to the oil company criticised the directors for being small-minded and ineffective.<sup>115</sup>

The events of January to March 1951 are worth investigating in detail. In January 1951 the opposition was fierce. The Majles Oil Committee received numerous proposals to replace the Supplementary Agreement. One suggested annulment of the 1933 Oil Concession and restoring the D'Arcy Concession for it would automatically expire in 1961 ! The other advocated nationalisation with 1/10th of the shares to foreigners. The National Front, through Mosaddegh, proposed nationalisation of the oil industry throughout the country. On 11 January 1951, the Majles formally rejected the bill containing the Supplementary Agreement but instructed the oil committee to make recommendations. On 18 January, Makki accused the government, as a whole, of treason in a heated debate in the Majles but some ministers objected that the cabinet should not be condemned. The National Front was fierce in criticising the government. They accused General Razmara of being a dictator in civilian clothes. Razmara arrived in the Majles to reply. He claimed that Iran was not technically capable of operating the oil industry. He asked for a

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<sup>113</sup> See page 164 for a list of subsidiaries.

<sup>114</sup> Bamberg, pp 414.

<sup>115</sup> PRO FO 371/Persia,91521,EP1531/16/3 January 1951.

vote of confidence. Mosaddegh was absent through illness. Some deputies left in protest and National Front deputies voted against, but Razmara received 91 votes out of 103.

Given the fact that Razmara did not have the support of clergy nor that of the Shah or the nationalists, the only reason why conservative deputies would not have easily dismissed him was his army support and relationship with three powers. This explains why at this time the Shah offered premiership to Mosaddegh three times. Mosaddegh refused perhaps believing that in case his government fell, he would not be able to return to Majles, or may be premiership would tie him to other country problems. The Shah's other candidate for premiership was Seyyed Zia. Seyyed Zia had the support of the clergy and Britain but he was unpopular with nationalists. The reason why the Shah was interested in Mosaddegh was perhaps to oust Razmara through Mosaddegh so that he could later on get rid of Mosaddegh through Seyyed Zia ! Mosaddegh must have suspected that he would have to resign as the prime minister had the deputies not voted in favour of oil nationalisation in whose case the National Front would have collapsed. Eventually, in April 1951, Mosaddegh accepted the offer of premiership.

Razmara planned to dismiss the Majles and hold new elections. However, faced with the National Front's increasing popularity he changed his mind. He first met with non-National Front members of the oil committee saying that nationalisation would be possible in the long run. Towards the end of January 1951, Northcroft returned to Tehran and offered 5,000,000 pounds immediate payment followed by ten monthly payments of 2,000,000 pounds. However, only the initial and the first monthly payment were made.<sup>116</sup> To the Iranian Government this appeared

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<sup>116</sup> BP 29811, oil company's annual report of 1951, pp 8. Also see Fateh, Panjah ..., pp 405-406.

to be another manoeuvre for the oil company had rejected the 50-50 agreement in 1949. The oil company had offered Razmara in secret 50-50 share but he did not make the offer public. One reason for this, if true, was probably because on 19 February, Mosaddegh presented the Oil Committee with a resolution for the oil nationalisation. National Front launched a public campaign in support of Mosaddegh.

The Oil Committee called upon Razmara to report whether oil nationalisation was practicable. He referred the matter to a panel of Iranian advisers who reported that oil nationalisation was not practicable and expressed doubt over its legality. On 3 March, he attended the full committee and said that because of the lack of technology the oil nationalisation would be inappropriate for Iran.<sup>117</sup> The nationalists accused the experts of having been bribed.<sup>118</sup> Razmara was not alone in believing that Iran was incapable of running its oil industry. Golbenkian, the honorary commercial attache at the Iranian Embassy, was asked by the Shah to comment on the oil proposals. He had founded the Turkish Petroleum Company in 1890's and was well familiar with oil production and marketing. According to his son, the 81 year old Golbenkian said "*our country is not yet qualified to take over the oil industry*". Both Golbenkian and his son were sacked from their posts at the Embassy when Mosaddegh came to power.<sup>119</sup>

In Tehran the confrontation between Razmara and nationalists appeared to drag on when it was brought to an abrupt end. Razmara was assassinated on 7 March 1951. The following day the oil committee passed a resolution recommending the oil nationalisation. It was as if the majority felt obliged to support

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<sup>117</sup> PRO FO 371/Persia,91523,EP1531/69/ 26 February 1951 to 6 March 1951.

<sup>118</sup> BP Z 0203, Northcroft to Rice, 6 March 1951.

<sup>119</sup> Hewins, pp 234.

Razmara for on 15 March the very same deputies who, in January voted 91 out of 103 in favour of Razmara,<sup>120</sup> ratified the Oil Nationalisation Bill!<sup>121</sup> The oil nationalisation became law without much thought on how oil was to be marketed.

The Tudeh Party saw Razmara as a British agent and Mosaddegh as an American one!!<sup>122</sup> This was most probably because of Razmara's power game of culminating all three powers. He had American backing as Washington was prepared to offer him foreign aid. Britain also appeared to be content with his premiership. Tudeh Party accused Washington of having arranged for his assassination because, according to them, Razmara was trying to improve Irano-Soviet relationship and Washington would benefit from destroying him.<sup>123</sup> The Tudeh party may have taken the view that Razmara wanted to settle the oil issue in favour of Britain but Mosaddegh and National Front were attempting to take the oil industry out of the British hand and place it with Americans, an unintelligent theory even at that time to believe.

One thing might explain the extent of anger which was directed at Razmara. He was a military man and had, on several occasions, made offensive remarks about the people's technical inability. In a private Majles session, he made remarks to the effect that *"you people who are incapable of running a cement factory, ... how do you want to run the oil industry"*? In a press interview, he said that Iranians could

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<sup>120</sup> See page 193.

<sup>121</sup> On 18 March Pravda accused Washington of being involved in the assassination (Current Digestive of the Soviet Press, Vol 3, No 11, 1951, pp7). Razmara had attended a memorial service for a cleric on behalf of the Shah accompanied by Alam, a close confidant of the Shah. Passing through the crowd a bearded man approached and shot him. His assassin was later on received by the Speaker of the Majles, Kashani, who called the assassination essential. Two years later the Majles pardoned the assassin but after the fall of Mosaddegh, he was executed for murder.

<sup>122</sup> Besui Ayandeh, 29 Tir 1331 (20 July 1952).

<sup>123</sup> Keihan, 28 Esfand 1330 (19 March 1952).

not make a clay water pot !<sup>124</sup> Razmara was most probably right. Iran needed foreign technicians, expert managers and a tanker fleet to deliver oil products to the buyer, assuming they could find a buyer, but he did not express himself in a proper manner.

## 5.6 Conclusion

Looking back at the events of 1950-1951, the British position was clear. After decades of superiority in the area, they were not prepared to give concession to a group of nationalists who were keen on removing British influence as this would have affected British position in the Arab Shaikhdoms. With regard to the oil company officials, the relevant documents containing their comments on the issue suggests a colonial frame of mind. People like Fraser could not have convinced themselves that the time had changed and that after years of exploitation of a nation's oil resources, it was now time to make reasonable concessions. In particular, Fraser was difficult to deal with. He had become the chairman of the oil company in 1941. At least since 1945, it appears that British officials had expressed dissatisfaction with his chairmanship. He was described by an official as "*a complete totalitarian*."<sup>125</sup> In contrast to the advice given by their American counterparts, the company officials behaved in the opposite direction an example of which is the way they negotiated Supplementary Agreement. As the Shah's intention in the late 1940's was to come to terms with nationalists, negotiations with Mosaddegh and a reasonable offer, including back payments, would have probably resolved the dispute.

Some British diplomats may have confused the oil company officials. Amba-

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<sup>124</sup> Jami, pp 506-509.

<sup>125</sup> PRO T 273/360, minutes of meeting between Bridges and Gardiner, 18 July 1950.

sador Shepherd, for instance, presented an inaccurate assessment of the situation when in April 1951 he warned against any major change in the oil company's policy as, in his view, the nationalist's fury was subsiding.<sup>126</sup> Shepherd accused his American counterpart for not being tough enough with Iranians.<sup>127</sup> British Officials even accused McGhee of encouraging Iran.<sup>128</sup> Americans were criticised for public discussion of what should have been kept a secret. Some British diplomats felt that they had paid too much for American support.<sup>129</sup> The American motivation to resolve the oil issue was easy to understand. By the late 1940's, Washington had established an oil industry both in Bahrain and in Saudi Arabia. Iranian nationalists were still claiming sovereignty over Bahrain. They did not want trouble on the other side of the Persian Gulf.<sup>130</sup> However, American Embassy had isolated itself by not directly meeting with opposition.

It looked as if British politicians had decided to continue the game of foreign intrigue and double-dealing in Iran. Former British Ambassador, le Rougetel, told MacMillan that the Soviets were using the nationalists.<sup>131</sup> At least since October 1950, Anglo-American military discussions have been going on over sending troops to Khuzestan in case of a Soviet invasion or local communist take over. Commonwealth troops were considered to avoid giving Moscow an excuse.<sup>132</sup> British General Headquarters Middle East Land forces believed that holding the Iranian oil installations would be unrealistic because of the strain this would place on

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<sup>126</sup> PRO FO 371/Persia,91470,EP1023/22/12 April 1951.

<sup>127</sup> PRO FO 371/Persia,91530,EP1531/260/1 May 1951.

<sup>128</sup> FRUS 1951 Vol 5 pp 309-315.

<sup>129</sup> PRO FO 371/Persia,91470/Ep1023/16134/12 April 1951.

<sup>130</sup> Yonha A, pp 104.

<sup>131</sup> MacMillan, pp 343.

<sup>132</sup> PRO FO 371/Persia,82353,EP1193/15/34/26 October 1950.

British forces in other parts of the Middle East.<sup>133</sup> Edwin Wright, intelligence adviser on Near Eastern Affairs in the Department of State believed that *"if Russians did attack Iran, an international full scale war could not be avoided ... if an internal take-over by communists should occur ... the free world certainly could not remain inactive"*.<sup>134</sup> Indeed, Britain must have been concerned not to provide Moscow with any excuse for military intervention as under the Irano-Soviet Treaty of Friendship of 1921 they could send troops to Iran. Also, in view of the Korean War, the possibility of a general war had to be considered. This is an example of how policy of movazeneh worked in Iran. Had treaties such as that of 1921 or Tri-partite treaty of 1942 not been signed, such eventualities would not be considered.

Despite what one might think, National Front did not initiate the idea of oil nationalisation. The annulment of the 1933 Oil Concession had been suggested by deputy Rahimian in 1944. The law of 22 October 1947 played an important role as it set in motion a chain of events which two years later resulted in the oil nationalisation. This law contained a single clause instructing the government to negotiate with the oil company for better terms. This clause may have been inserted to give the impression that as far as oil was concerned, London was not in a better position than Moscow. However, this instruction compounded with the Oil Law of 2 December 1944, provided the basis for oil nationalisation in near future.

Another possibility is that monarchists may have taken the opportunity to find a way to fund the Plan Organisation. In August 1948, deputy Eskandari laid

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<sup>133</sup> PRO FO 371/Persia,91456,EP1015/169/34/1 May 1951.

<sup>134</sup> San Francisco Chronicle, 7 December 1951, pp 5.

before the 15th Majles a lengthy interpellation of the government and demanded oil nationalisation. The interpellation was rejected by a vote of 98 to 8. Eskandari again demanded oil nationalisation when on 20 January 1949 he began another interpellation of the government. Makki and eight other deputies signed his bill for the annulment of the 1933 oil concession. Being a close confidant of Ghavam, one might suspect that Ghavam had encouraged Eskandari hoping that this would bring him back to power ! The Iranian society was engulfed in a tide of nationalistic sentiment over the 16th Majles elections and the opposition to the Supplementary Agreement.<sup>135</sup>

The National Front made the oil committee a platform to attack the oil negotiations. In public view, the committee was more favourable to the nation than the government or the Shah. Mosaddegh had a reputation as a nationalist but one can see that early 1947, despite arranging for a sit-in in the Shah's palace in objection to the rigged 15th Majles elections, he could not attract much public support. In 1950, it was the chairmanship of the oil committee which paved the way for him to become a national hero. The oil committee was vested with more authority in July 1951 when Majles instructed the committee to make recommendations regarding the oil question.

The 1940's was also a period of political assassinations which began by the assassination of Kasravi, a prominent writer, in March 1945. Fadayian Eslam were mainly responsible for the murders and it might be true to say that without eliminating certain politicians the oil nationalisation would not be possible. The first was Hazhir whose murder opened the way for the relatively free election of the 16th Majles in the Autumn of 1949. The assassination of Razmara in March

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<sup>135</sup> See section 5.2 .



1951 was quickly followed by the ratification of the Oil Nationalisation Bill ! On 19 March, Zangeneh, a minister in Razmara's cabinet was shot dead by a theological student in Tehran.

Whether majority of Majles deputies were so fearful for their lives, in an atmosphere of terror, that they voted in favour of the oil nationalisation, or perhaps the popular political demand forced them to do so, remains to be answered.

## Chapter VI

### Conclusion

By the late 19th century, the traditional Iranian society was in the process of change. Iranian society which was diverse in every aspect of life had been influenced by Western way of life for several decades. The urban class way of thinking and social life which had been patterned by centuries of tradition had changed. Society could be divided into several classes based on occupation and status. These were upper class, traditional petite bourgeois tied to bazar, middle class of pre-industrial wage-earners, and a lower class of peasants and nomads. The upper class was well riddled with corruption mainly because of over a century of foreign intrigue. These consisted of the Court, the clergy, the feudal leaders and tribal chiefs. The Iranian clergy was in a privileged position. They owned land through religious endowments and functioned as judges. They were trusted by ordinary people and occasionally voiced people's disapproval to political leaders. The feudal leaders and tribal chiefs were influential too as power lay in property and family ties. The peasants and nomads were, however, the poorest of all.<sup>1</sup>

A turning point in the recent political history of Iran appeared in the late 19th century. The clergy's demand for the cancellation of the Tobacco Concession to the British interests in 1891 was astonishingly effective.<sup>2</sup> It was suddenly realised that the 46 year old reign of a powerful Naser-eddin Shah could be so easily challenged.

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<sup>1</sup> A detailed account of peasant's life in Iran at about 1900 has been given by Lambton in *Landlord and Peasant in Persia*.

<sup>2</sup> Browne, *Persian Revolution*, pp 52.

The move was so effective that all future campaigns for democracy were modelled on Tobacco rebellion of 1891. The assassination of the Shah in 1896 and subsequent enthronement of a weak Mozafar-eddin Shah, who was surrounded by corrupt politicians who all belonged to the same ruling class, was definitely the final blow to the traditional ruling system which had ruled over Iran for many centuries. The clergy tested his power again in 1903 by forcing the prime minister Aminossoltan into exile. The almost bloodless revolution of 1906 and the establishment of the Constitutional Government theoretically granted a freely-elected Majles and a government answerable to the parliament.

The Shah was surrounded by corrupt politicians. The standard of material life was very low. Government's treasury was empty and Iran had no place in either industrial world or amongst superpowers. The Shah needed immediate cash payment<sup>3</sup> and saw a reason for offering an oil concession. Oil had been sought in Iran since 1878 but not much exportable oil had been found. The prospect of finding oil was so bleak that Iranian authorities did not bother to go into much details about the concession's future operation. It did not concern them to relate oil royalties to the gross profit rather than the net profit, nor to equate the 20,000 shares offered to Iran against any percentage ownership of the future companies. Such was their ignorance that the concession was made exempt from Iranian taxation and no provision was made to supply fuel to Iran. Theoretically, D'Arcy could extract, refine and export oil for 60 years without selling one single barrel to Iran !

Britain and Russia were the main commercial rivals in 1900, but position of Britain was much stronger as Britain was controlling Egypt, Sudan, India and

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<sup>3</sup> Ibid, pp 99.

the entire Persian Gulf. British position became much stronger after the First World War when Ottomani and Russia collapsed. Iran became an area of significant geostrategic importance within which major European powers fought for dominance of Asia and used it as a buffer to contain the advance of their rival ! Hence control of Iran became a goal for the powers involved. Britain supported Sheikh Khazal and recognised his autonomy over much of the oil-rich province of Khuzestan, in order to support the oil company.

In 1919 Iran was under the threat of becoming a British protectorate. Ahmad Shah surprised his British hosts by his rejection of the Anglo-Persian Treaty of 1919.<sup>4</sup> This opposition cost him his throne as Britain arranged for a coup which was carried out by Reza Khan in 1921. Reza Khan ousted the Shah and was enthroned in 1925. Although a nationalist he had no democratic sentiment and removed all the constitutional political establishments. To weaken the foreign power domination, Reza Shah found a rival, Germany, for Britain and Russia in Iran. His foreign policy did not pay off as his refusal to cooperate with the Allied in 1941 left them no choice except to occupy Iran. A possible German advance towards India could be blocked in Iran and the importance of the Iranian oil for Britain was too evident. The construction of the Iranian railway provided the basic infra-structure for a supply route to the Soviet Union. Moscow invaded the north and Britain the south. However, despite intense suppression under Reza Shah, the struggle carried on in the mainstream of the Constitutional Revolution of 1906.

The occupation of Iran in August 1941 acted as a catalyst. After the abdication of Reza Shah the most popular political demand was free-elected parliamentary

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<sup>4</sup> There is still a dispute whether Ahmad Shah was actually against the treaty or he pretended to be. See Homayunfar, Reza Shah, in *Nimruz Dei* 1376 issues (1998).

rule which would not be possible without the country's political independence. In 1919, the public had defended its independence against the British efforts to turn Iran into a British protectorate. But there was no tradition for democracy to rely on. According to the constitution a system modelled on Belgian democracy had been placed under clergy jurisdiction ! The Constitutionals appear not to have foreseen the problem. The structure of power in the early 1940's did not change as the 13th Majles election had been rigged under Reza Shah. The Tudeh party was quickly formed by the released prisoners. It soon became one of the predominant political parties in an Islamic background. In particular communist activity was more intense in the Soviet-controlled zone in the North. Western journalists were banned from the area and only Tudeh party was allowed to operate there. Moscow ignored the Allied's non-interference in Iranian affairs. In response, Bullard pressed for the withdrawal of the Allied forces from Tehran. The East-West tensions developed in Iran. In 1944 Kavtaradze demanded an oil concession. This received international attention. In 1946 Iran requested the Security Council to intervene over the Azarbaijan crisis. Truman and Byrnes believed that a tough policy was needed to oppose Moscow.<sup>5</sup> These were the early stages of the cold war.

Moscow had sinister plans for the North but events elsewhere may have changed their priorities. This was most likely to be Germany's capture of Kiev on 26 September 1941 and the offensive against Moscow on the 2 October. Stalin signed the Tri-partite Treaty of 1942 confirming Iran's sovereignty. He had reasons for accepting the terms of the treaty. These were Allied supplies, the need to open a second front in Europe to ease the pressure on the Soviet Army, and a powerful German offensive which was expected for the Spring of 1942. Moscow's territorial

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<sup>5</sup> Gaddis, pp 312.

aspirations had been declared before. In November 1940, a secret protocol to the draft of the Molotov-Hitler agreement stated Moscow's territorial aspirations to be *"in the direction of the Indian Ocean"*.<sup>6</sup> In Moscow, Molotov informed the German Ambassador that the protocol was acceptable if it provided that the area *"south of Batum and Baku in the general direction of the Persian Gulf is recognised as the centre of the aspirations of the Soviet Union"*.<sup>7</sup>

Stalin's concern over the north of Iran may be justified in several aspects. One was most probably British overwhelming position in the Persian Gulf and their grip on the oil rich Khuzestan. An example was Abadan refinery, the largest of its kind in the world at the time. Stalin had other concerns most probably what he saw as Western design for the Caucasus. In June 1940, for instance, Moscow was alerted by the British and French plans to attack Baku oil fields from Turkish and Iranian territory. Moscow was allied with axis powers, but after switching sides, they learned about a German plan for a revolt of Armenians and Azarbaijanis in the Caucasus.<sup>8</sup> After the battle of Stalingrad in November 1942, Moscow was determined to entrench themselves in the north of Iran. Apart from Azarbaijan's agricultural importance, it would have positioned Moscow's forces only 100 miles from the Iraqi Kirkuk and Mosul oil fields. However, American activities in Iran also increased after the attack on Pearle Harbour. The control of the Iranian railway was given to American service troops.

The role played by Iran in exploiting the Anglo-Soviet-American relationship was of importance. Iran was a stage but Iranian politicians did not only react to a situation controlled by super powers. There are several examples of this.

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<sup>6</sup> Hurewitz, pp 228.

<sup>7</sup> Ibid, pp 228-230.

<sup>8</sup> Hirschfeld, pp 220.

Taking advantage of the situation, monarchists applied the old style Qajar policy of *movazeneh* or using one super power to foil another. This, compounded with American concern over Soviet activities in the North, dragged Americans into the politics of Iran. The Iranian Government's efforts resulted in the Tri-partite Agreement of January 1942 guaranteeing troop withdrawal six months after the end of the war. On 1 December 1943, the Allied guaranteed Iranian sovereignty in a declaration and recognised the need to strengthen the Iranian economy. Washington's position in Iran had now changed. This did not have much to do with the involvement of American service troops in Iran, but more because of the American oil developments in Bahrain and Saudi Arabia. The change of the American attitude from passivity of the 1920's to full engagement in the 1940's was most remarkable.

The Middle East became a centre of oil exploration in the 1940's as the fear of oil depletion dragged American oilmen into the oil competition in the Middle East. Premier Soheily took the opportunity and requested American assistance to explore oil outside the area covered by the Anglo-Iranian Oil Company. His efforts were rewarded later on. The Soviet's concern over the American activities in Iran and their mistrust of the West was the dispatch of Kavtaradze to Tehran in September 1944. This resulted in a battle between Washington and Moscow before the war ended in Europe. In July, Washington had considered Iran a testing ground for the Atlantic Charter. The stage for the cold war was set in Iran.<sup>9</sup>

Moscow refused to leave Iran in 1946. The problem received massive international attention. Perhaps noticing that Stalin wanted a face-saving excuse, Premier Ghavam seized the opportunity, offered Stalin an oil concession in the north and secured the withdrawal. The puppet regimes that Moscow established in the

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<sup>9</sup> See page 132.

north did not last long. Moscow was unable to destroy Tehran's authority in the North because other powers were present. In Poland, for instance, Russo-German pact of 1939 allowed the Germans, and following the end of the war, the Soviet Union, to destroy the entire Polish political system. Besides, the wartime desire in cooperation between allies had restricted Stalin's greed. The Iranian officials appointed by Tehran continued to function in Azarbaijan and Kurdistan. Unable to obliterate Tehran's authority in the North, Moscow used the Tudeh Party as an instrument to influence internal politics.

After puppet regimes fell in December 1946, Iran seemed to be a safe and peaceful place. Some 20 years had gone by since the last free election. The time had come for the nation to assert national dignity. Moscow, however, menaced Iran again. In 1947, they pressed for the ratification of the oil concession agreed with Ghavam. This started another crisis and created considerable public sentiment which adversely affected Moscow's position in Iran. Their aggressive interventions such as their blatant activities during the oil crisis of 1944 and separatist movements of 1945-46, cost their agent, the Tudeh Party heavily. Mosaddegh was brave enough to pass his Oil Bill of 2 December 1944 whilst Kavtaradze was still in Tehran. Premier Saed resigned because of mounting unrest in the occupied north. There are other examples of Moscow's threats. During the occupation, they referred more to the 1921 Treaty of Friendship with Iran than to the Tripartite Treaty of 1942 ! It was because the 1921 treaty provided for the Soviet troops to move into Iran. Molotov refused to reaffirm Tehran Declaration at Yalta Conference early 1945. Saed's successor Bayat had to offer greater freedom to the Tudeh to appease Kavtaradze.

The year 1947 witnessed an important political event which had significant



consequences for the following years as it set in motion a chain of events which eventually resulted in the oil nationalisation. Moscow exerted great pressure on Ghavam for the ratification of the Irano-Soviet Oil Agreement. Noticing that Moscow was under immense pressure by the West to leave Iran, Ghavam had masterfully fooled Stalin and Molotov by offering them an oil concession contingent on Majles approval ! As he had no intention of offering such a concession, he kept delaying new Majles elections, and later on, Majles debates, until time was right for the rejection of the oil agreement ! The 15th Majles rejected the agreement on 22 October 1947, but instructed the government to negotiate with the Anglo-Iranian Oil Company to gain Iran's rights. Perhaps the idea was to tell Moscow that the West was not in a better position than Moscow when oil was concerned, but monarchists embarked on the idea which led to the proposals to supplement the 1933 Oil Concession.

The year 1948 appeared to be free of major events as far as public was concerned. However, following Majles instructions, government negotiated with the oil company for better terms. The monarchists favoured the idea as it would generate foreign currency. The oil revenues were an important source of finances for Iran. The Shah desired expansion of the army and social reforms needed to be funded through the newly established Plan Organisation.

Whilst the negotiations with the oil company was in progress, the attempt on the Shah's life in February 1949 brought a drastic political change. Suddenly the political scene established after 1941 changed. Martial law was declared and Tudeh party was outlawed. Monarchists used the opportunity to send Kashani to exile in Beirut but he remained defiant. In May 1949, a constitutional assembly was called and the Shah was given the power to dismiss the parliament. Kashani

condemned the constitutional amendment from Beirut. Ghavam did the same in Europe. The demise of the Tudeh was to be filled by the National Front. Later on, rising American involvement between 1951 and 1953 resulted in total destruction of Moscow's influence in Iran.

The negotiations with the oil company officials continued and resulted in the Supplementary Agreement whose ratification caused a major domestic crisis and brought the oil issue once more to the public attention. The 15 Majles expired in July 1949 and the Shah, in pursuance of monarchist's idea for economic aid, decided to visit the West. Perhaps to present a better view of Iran, monarchists decided to hold a relatively free election restricted to Tehran, as police chief of Tehran helped maintaining a free election. The Shah returned unsuccessful. Now monarchists were faced with a fierce opposition in the Majles, and a popular National Front headed by Mosaddegh. This may explain why the Shah appointed Mansur as prime minister despite the fact that Mansur had no cabinet post for 9 years. Mansur was a royalist and had served under Reza Shah. He was in favour of Supplementary Agreement. He set up the Oil Committee perhaps hoping that it would take the oil issue out of the public debate. His failure, however, coincided with developments in Korea which justified the idea of a strong military man, General Razmara, to resolve the oil issue.

His appointment as prime minister in June 1950 coincided with the arrival of the American Ambassador Grady. As expected, the opposition made a fuss about it. The press called him an agent of the West and his premiership was described as a coup by the backdoor.<sup>10</sup> This indicates that the public was fearful of a military man in charge of the government. However, public awareness and fierce Majles

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<sup>10</sup> See pages 183-184.

opposition went against Razmara. By the end of 1950 the Oil Committee members had divided into two groups. The Gass-Golshayian Agreement was given a popular name, Supplementary Agreement, to supplement the 1933 oil concession. The Majles opposition saw it differently. As it was shown that the 1933 oil concession was null and void, then there was no justification to supplement it. But why did it take so long to nationalise the oil industry ? The answer is in the Razmara's performance; his power game and double dealings with super powers. Perhaps motivated by Ghavam's tactics he delayed addressing the oil committee when invited to do so. He may have also misled the oil company officials about his ability to ratify the Supplementary Agreement. In view of his army connections, he was considered a threat to the Shah and had been accused of being involved in the attempt on the Shah's life. However, the findings of the Oil Committee were reported and its conclusion justified nationalisation of the oil industry. The only obstacle on the way to nationalisation was Razmara. He was assassinated early March 1951.

The Majles deputies now felt free to pass the Oil Nationalisation Bill. Why did the majority voted in favour of the oil nationalisation still remains a question. It might have been the fact that Razmara had gone and there was now no threat of a coup. There were most definitely other reasons. One was the tremendous pressure the public put on the authorities through their gatherings and street demonstrations. The other was efforts made by Mosaddegh and National Front and the fact that oil had become a matter of national prestige. Iranian nationalism of the 1940's was different from nationalism of 1890's. In 1891, the Tobacco Concession was rejected with full public support. The nationalism of those days was anti-foreign fuelled by religious emotions. In the 1940's, the political assassinations by

religious extremists associated with Kashani stirred up religious emotions. However, the social discontent of the new urban middle class agitated by inroads made by Tudeh Party, was most probably an important social force which shaped the events of the late 1940's. However, in the tense political atmosphere of Tehran the way seemed to be prepared for the premiership of Seyed Zia, an anglophile, to annul the Nationalisation Law but deputies voted for Mosaddegh.

The reason why Mosaddegh enjoyed such a universal support at this time is easy to understand. He was the unifying figure with a reputation for honesty and opposition to foreign influence. Mosaddegh's popularity had spread into every walk of Iranian life including the religious section. The clergy was associated with the bazar and had connections with Fadayian Eslam. Political assassinations had excited the public. Perhaps remembering Reza Shah's atrocities, a large portion of the society including some members of the upper class, also preferred Mosaddegh. Oil nationalisation had become a matter of national prestige. The support for Mosaddegh, therefore, covered far-right to the far-left as Tudeh Party also supported the movement although it had been banned. The premiership of Mosaddegh was the consequence of such a support.

The oil nationalisation would not have been possible without public gatherings, strong criticisms made by the press and fierce Majles opposition. But how did the oil issue become a matter for public debate ? There were several factors involved. One was Moscow's aggression towards Iran. Moscow menaced Iran seriously in the 1940's but their activities directed public attention to Iranian problems such as the oil issue. This happened once in 1944 when Kavtaradze arrived in Tehran. The second occasion was in 1946 when Iran took Moscow before the United Nations over their refusal to withdraw from the north. The third time, Iran's integrity

became a matter of public debate when Iranian army moved into Azarbaijan in December 1946. In 1947, Sadchikov's pressing Ghavam for the ratification of the Irano-Soviet Oil Concession caused a great deal of public anxiety.

Perhaps the most important factor which helped the public understand the oil issue was the rejection of the Supplementary Agreement by the nationalist deputies in the 15th Majles in July 1949 and the heated debates and discussions relating to it both before and after the rejection. The 15th Majles had also required an investigation into the Anglo-Iranian oil concession which resulted in the Supplementary Agreement. The foundation for the oil nationalisation was established in the oil law of 1944 and the rejection of the Irano-Soviet oil concession in October 1947 by a vote of 102 to 2. It is important to notice that public support which was, by Autumn 1949, a vital factor in Iranian politics, was not always available. An example is Mosaddegh's objection to the 15th Majles election rigging in the early 1947 which did not draw much public attention.

Another important factor was the electoral campaign for the 16th Majles in Autumn 1949 and the formation of the National Front in October 1949. A large crowd accompanied nationalists to the Shah's palace in objection to the election rigging. Mosaddegh went back to his village of Ahmadabad. As mentioned earlier, Mosaddegh did the same in 1947 but this did not attract much public attention. The assassination of the Court Minister, Hazineh, in November 1949, must have caused public excitement. One can see the reason why public was passive over election rigging in 1947. The Azarbaijan crisis had just ended. The public was jubilant and oil had not become a moral issue yet.

One might tend to see Mosaddegh backed by the nation on one side and the oil company backed by the British Government on the other side. The scene was, however, much more complicated than this as such a bitter dispute was rooted in the exploitation, by an industrial power, of the raw material of a developing country and the problem of re-adjusting the relationship between the two countries. All the concessions granted by the late 19th century had their own social and political implications. One such example was that of Tobacco and Lottery. Just as they did in 1891, the public exerted pressure on the authorities to cancel the concession. In the period January to March 1951, many demonstrations in support of the oil nationalisation were held. The public put tremendous pressure on the Majles to ratify the Nationalisation Bill which proved that the crisis was not an emotional response to foreign domination or protest against an unjust deal, but a question of national prestige.

Contrary to what nationalists thought, Washington would have been unwilling to go against London. Given the decline of the British influence in the area, Washington was the only power to block Moscow in Iran. Moscow's plans for Greece, Turkey and Iran failed as a result of the Truman Doctrine of 12 March 1947. Even before the Korean War, Washington judged governments on the basis of the cold war. In the case of Iran it should have been obvious that in view of their cooperation with London in the Far East, Middle East and Eastern Europe, they would not be prepared to back Iranian nationalists to the detriment of their ally. Washington also had to consider its interest in Bahrain and Saudi Arabian oil industry. Even if Mosaddegh was prepared to allow an American oil company like Aramco to operate the Iranian oil industry, the offer would be rejected. Washing-

ton did not trust Mosaddegh.<sup>11</sup> After the coup of 1953, Eisenhower granted Iran 60,000,000 dollars, twice American economic aid in the previous decade. Moscow also returned 11 tons of gold owed to Iran for borrowing local currency from Iranian banks during the war.<sup>12</sup>

The British Foreign Office failed to recognise the possibility of oil nationalisation despite warnings by the American Embassy. They considered the oil company a private commercial enterprise and believed that Supplementary Agreement would be ratified when Iran needed money!<sup>13</sup> There was division in British Government. The lower-level officials at the Foreign Office were in favour of more control over the oil company. Most treasury officials and some key officers at Foreign Office favoured using pressure tactics. After oil nationalisation, the hard-liners gained control over policy making in parliament after conservative victory in October 1951.<sup>14</sup>

It appears that even by the early 1951 British authorities had failed to understand the situation with regard to public sentiment. British politicians were involved with political considerations and British oilmen did not concern themselves with public mood. The Iranian public looked at foreign intervention with pessimism and suspicion and saw the behaviour of the company officials as nothing but doom for the future. Most accounts given in Iranian writings are those of disappointment. Had any of the British officials been able to read Farsi publications, they would have realised that the reason why the Iranian public glorified their remote past was to ease the pressure of such a difficult time. At least as early as

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<sup>11</sup> McGhee, *Envoy to ...*, pp 79.

<sup>12</sup> Nimruz, 22 Dei 1374 (12 January 1996).

<sup>13</sup> Grady H, *What Went Wrong in Iran*, Saturday Evening Post, 5 January 1952, pp 58.

<sup>14</sup> FRUS 1951 Vol 5 pp 295.

December 1948 such attitudes had been brought to the attention of British officials. Hazhir, for instance, warned Ambassador Le Rougetel that public understanding was that "*Persia was being swindled*". and had to act firmly to gain his rights.<sup>15</sup>

The British view was contemptuous. After the oil nationalisation they classed Iranian oil as stolen goods ! In their view under the international law the 1933 oil concession was legal. Iran had seized British oil industry so Iranian oil was stolen goods.<sup>16</sup> British Ambassador Shepherd regarded Mosaddegh with great contempt. He commented on Mosaddegh as being "*cunning and slippery and completely unscrupulous*". He went on to say "*He looks rather like a cab horse and is slightly deaf ... conducts the conversation at a distance of about 6 inches at which range he diffuses a slight reek of opium*" !<sup>17</sup> It was as if humiliation was inadequate when he wrote again to the Foreign Office reminding them that Mosaddegh's daughter was in a mental institution in Switzerland and that Mosaddegh himself was not quite normal either !<sup>18</sup>

This negative view of Mosaddegh is reflected in a sympathetic portrait of him given by an expert on Iranian affairs, Elwell-Sutton, who wrote "*to most people in the West he was a puzzling figure of far funny because of his tears, ... conducting public business in grey woollen pyjamas and a plain iron bed*". Elwell-Sutton even saw something drastically wrong with Iranians too "*The Persians, it seemed, had suddenly gone mad ; following the lead of a crazy old man, they had thrown out a sound and honest commercial concern ... the bald-headed hawked-nosed old doctor's*

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<sup>15</sup> PRO FO 371/68732, Le Rougetel to Bevin, 21 December 1948.

<sup>16</sup> CAB, 134/1145, Persian Committee "Measures to Discourage or Prevent the Disposal of Persian Oil", 13 December 1951.

<sup>17</sup> PRO FO 371/91459, Shepherd to Furlonge, 6 May 1951.

<sup>18</sup> PRO FO 371/Persia,91457,EP1015/ 162/34, 28 April 1951,91458,EP1015/197/34, 14 May 1951.



*antics were even troubling the Serene waters of British politics ...*".<sup>19</sup>

It was perhaps lack of understanding of the Iranian culture which made the British see Mosaddegh this way as American view was similar too. Loy Henderson wrote "*We are confronted by a desperate, a dangerous situation and a madman who would ally himself with Russians*".<sup>20</sup> Despite their good reputation in Iran, American diplomats had failed to maintain connection with opposition in the late 1940's. Grady, for instance, met with Mosaddegh on 2 May 1951, ten months after he arrived in Iran ! This was most probably because of their policy of containment which prompted support for the Shah for over 25 years.

The Iranians did not behave much better than foreigners. There were numerous examples of domestic feuding and misbehaviour. Ghavam, for instance, attended the 14th Majles to report on the Soviet withdrawal only one hour before the Majles expired. Ghavam did very well to serve Iran by misleading Stalin. He reached an agreement with tribal chiefs in return for political support, rigged the 15th Majles elections and arranged for the rejection of the Soviet oil proposals by a vote of 102 out of 104. Contrary to the fact that he was the most independent prime minister of the 1940's, and rendered a great service to Iran over the Azarbaijan crisis, in December 1947, the very same deputies voted against him.

The Iranian communists in the Tudeh party served as Moscow's agents. They called Mosaddegh an American agent and Razmara a British one. The ordinary Iranians adopted the same attitude. To them some deputies were state lackeys, others were American or British lackeys. Political strife was so strong that it appeared to justify anything as political parties relied on knife-stabbers. Ma-

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<sup>19</sup> Elwell-Sutton, *Persian Oil*, pp 7-8 193-194.

<sup>20</sup> Roosevelt K, pp 18.

jles deputies did not behave better. To prevent a quorum, deputies spat on one another ! Ridiculing opponents was common. In 1906, some deputies ousted Mosaddegh from the Majles by proving that he was under the minimum age requirement of 30 by referring to his mother's second marriage. In 1949, opponents tried to oust him again by claiming that he was over 70 !

Filibustering methods were common. In response to monarchists's attempt to rush Supplementary Agreement through the Majles, deputy Makki made a lengthy speech until the 15th Majles actually expired at 1 am ! Double dealing was a feature of Iranian politics. The Western-supported Razmara shifted between powers in the middle of the Korean War ! In a tense political atmosphere, he directed unnecessary public anger towards himself by making offensive remarks about Iranian people's technical inability. Monarchy was supposed to be politically passive. The Shah and Ashraf, however, intrigued against governments. The ends seemed to justified the means. Clergy became involved in political assassinations. Razmara was suspected of being involved in the attempt on the Shah's life. The Shah was, later on, accused of arranging Razmara's assassination ! A nationalist deputy, Baghai, was arrested late 1949 for sedition amongst the army. Although a fierce supporter of Mosaddegh, Baghai turned against him later on and was involved in the abduction and murder of brigadier Afshar-Toos, Mosaddegh's police chief. A better example is that of the Speaker of the Majles who supported Razmara's assassination by calling the assassin the saviour of the nation.<sup>21</sup>

However, despite feud and conflict amongst the Iranians, the Iranian nationalism and strong anti-British sentiment did not go unnoticed by their Arab neighbours. The major Arab defeat in 1948 brought to the fore extreme elements. The

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<sup>21</sup> Nimruz, 23 Khordad 1376 (13 June 1997) pp 16.

Syrian government was overthrown in 1949. In July 1951, King Abdolla of Jordan who was as in favour of a peace treaty with Israel was assassinated. Nasser took over Egypt in July 1952. The atmosphere in many Arab countries was near-revolution. The Arab nationalism was originally a response to the Ottoman Empire which was in charge of many Arab countries. With the growth of the British influence in Arab countries and in particular after the disintegration of the Ottoman Empire, the nationalistic sentiment was directed towards Britain. Unlike Arab countries of the Middle East, Iran has been a sovereign state during much of its long history. Arabs of the Middle East appear to have been affected by the nationalistic developments in Iran. Some British officials had foreseen the problem of spreading Iranian nationalism to Arab countries. Frances Pelly, British Resident in Kuwait wrote *"In the Persian Gulf, 1951 is likely to be remembered as the year of Abadan. On the Arab littoral this is particularly true of Kuwait. The town is only half an hour's flight from Abadan and the Kuwait Oil Company is half owned by the Anglo-Iranian Oil Company ... Singapore might fall and India be relinquished but these are far away places to the concrete Arab mind. The Abadan refinery was almost within smelling range of Kuwait"*.<sup>22</sup> Sir Rupert Hay in Bahrain expressed similar concern over *"catastrophe at Abadan"* which *"undermined our whole industries in the Gulf."*<sup>23</sup>

These concerns were justified when one realises that Mosaddegh's nationalism was parallel to some nationalist phenomena in the Middle East. This includes comparable stages of development of nationalism too. Rashid Ali in Iraq in 1941, Quwalti Government in Syria in 1954, Jordanian government of Nabulsi in 1955 and Suez Crisis of 1956 are examples. These are reminders that liberal nationalism

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<sup>22</sup> PRO FO 371/98378, Kuwait Administration Report for 1951.

<sup>23</sup> PRO FO 371/98378, Hay to Eden, 31 October 1952.

at the early stage of development risked failure even without foreign pressure.<sup>24</sup> The collapse of Mosaddegh in only few days in 1953 is an example.

The Arab nationalist community was willing to incorporate the Iranian nationalistic demands. Suspecting that Egyptian government might reach an agreement with Britain, the organ of the Moslem Brotherhood, Al-dawa, called on the Wafdists to follow the example of the Iranian people who nationalised the oil industry.<sup>25</sup> On the way back from New York, Mosaddegh stopped at Cairo where he was received by nationalist premier Nahas Pasha amidst violent anti-British riots. Several days later, they signed a pact of friendship to "*demolish British imperialism*".<sup>26</sup> Just as Iranians did, the Egyptians may have viewed the British officials as clever manipulators who had smilingly planted seeds of decay for over a century.

One question remains in the mind of the Iranian reader. It is true that Britain exploited Iranian oil reserves, perhaps exported oil illegally, used profits to expand subsidiaries outside Iran, and paid more in taxes to the British Treasury than to Iran; but what about the Iranian feudals who exploited Iranian peasants for centuries ? Why was it that nationalists wanted to nationalise the oil industry and referred with great anger to the company's unfair employment policy but land reforms had to be initiated by Kennedy administration some 10 years later ?<sup>27</sup> Why did Mosaddegh, who had first-hand experience of peasant abuse, not encourage reform ?

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<sup>24</sup> For a description of Arab nationalism in the early 1950's see Marlowe, Chapter 4.

<sup>25</sup> Hall, pp 70.

<sup>26</sup> New York Times, 15 November 1951.

<sup>27</sup> Dorman, pp 80, 82, 128. Also see page 96.

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**Some examples of material examined have been given in the following pages :**

page 265 : a copy of an Iranian newspaper accusing Mosaddegh of treason.

page 266 : a short biography of Mosaddegh prepared by British officials in Tehran.

page 267 : a report by British officials in Tehran describing some Iranian personalities.

page 269 : a telegraph confirming bribing some Iranian statesmen.

page 270 : a report on the Shah and Ghavam's position.

page 271 : British Embassy reporting on Saed's political position

## **Appendix A**

### **D'Arcy's Concession and Relevant Events**

**1900** Proposals by Ketabchi Khan to sell the oil concession of 1896.

**28 May 1901** Concession granted by the Shah, Russian ambassador on holiday. Bribes paid to influential individuals. Five northern provinces along Russian border including Semnan excluded.

**1902** First well sunk in Chiah Sorkh near Qasre-Shirin

**21 May 1903** First Exploitation Company formed in London. Capital 500,000 pounds. Started drilling 100 miles North of Baghdad. Oil found in small quantities.

**1903** Admiralty asks Burmah Oil Company to supply long-term fuel oil.

**1904** D'Arcy has two producing oil wells but far from the sea.

**21 Oct 1904** Admiral Fisher appointed an oil committee.

**1905** D'Arcy short of money. Admiralty asks Burmah to intervene.

**5 May 1905** Burmah formed Concessions Syndicate Ltd to assist D'Arcy. Syndicate took over the First Exploitation Co.

**Nov 1905** Agreement with Bakhtiari khans by British Consul-General in Esfahan. 3000 pounds yearly salary for guards. 3 per cent shares in any company in their area.

**5 Aug 1906** Constitutional Government granted by the Shah.

**31 Aug 1907** Anglo-Russian Agreement ended 10-year quarrel.

**1907** Indian government sends Wilson to protect drillers.

**26 May 1908** Oil was struck in Meidan-Naftun at 1180 ft depth.

**13 Apr 1909** Bakhtiari Oil Company formed. Capital 400,000 one-pound shares. 12,000 shares to local khans.

**14 Apr 1909** Anglo-Persian Oil Company registered in London. Concession was transferred to this company. Capital 2,000,000 pounds. D'Arcy became the Director. Oil company held 97 per cent of Bakhtiari and 87.95 per cent of First Exploitation Co. The rest with Iranians.

**May 1909** Sir Percy Cox negotiating with Khazal on behalf of the oil company. American financial adviser, Morgan Shuster arrives in Iran.

**1911** First pipeline completed.

**1912** Abadan Refinery constructed. Land rented from Khazal. Khazal agreed to protect staff and property.

**1912** Oil in commercial quantities flowing to Abadan.

**6 Apr 1914** Admiralty concluded that Iranian oil would satisfy large portions of British requirements.

**1914** British Government approved agreement between Admiralty, Treasury and Anglo-Persian Oil Company.

**20 May 1914** British government acquired 51 per cent stock in the oil company. Company held 50 per cent share in Turkish Petroleum Company (TPC). TPC had rights in Ottomani.

**1914** Americans produce 68 per cent of world oil demand

**1915** German and Ottomani troops in Iran. Pipelines damaged in Bakhtiari area by resented Khans.

**9 Mar 1916** Khoshtaria's concession granted for 70 years. North of Iran only. Nullified two years later.

**1917** Bolshevik Revolution changed Russian attitude towards Iran.

**09 Aug 1919** Anglo-Iranian Agreement to turn Iran into a British Protectorate. Cancelled later on.

**10 Feb 1920** North Venezuela Petroleum Company registered in London. Anglo-Persian Oil Company had a stake.

**8 May 1920** Anglo-Persian Oil Company bought from Khoshtaria his concession for 100,000 pounds. North Persian Oil Company formed as a subsidiary. Capital 3,000,000 pounds.

**12 Aug 1920** US Dept of State confirmed American companies seek concessions in North of Iran. Standard Oil of New Jersey and Sinclair.

**1920** Concession to Standard Oil Company for 50 years, royalty of 10 per cent of crude oil. Concession dropped.

**22 Dec 1920** Armitage-Smith Agreement.

**1921** Coup d'eta. Reza Khan comes to power. Dissatisfaction of Iranian government over payments.

**26 Feb 1921** Russia renounced all treaties signed by Czarist Regime against Iranian people.

**1921** Anglo-Russian Trade Agreement signed. Anglo-Persian Oil Company encouraged to buy oil from Baku.

**1922** Sinclair Concession for 40 to 50 years. North of Iran only. Concession dropped.

**1922** American missions to Iran.

**1925** Millspaugh in charge of Finance Ministry began to find a solution. Agreement signed with company to double royalties. Efforts to re-draft concession as it would expire in 1961.

**1927** Iranian Government demanded invalidation of 1920 Armitage-Smith Agreement.

**1927** French Concession. North of Iran only. Concession Dropped.

**1929** Negotiations over Kavir-Khoorian Concession.

**27 Nov 1932** Iranian government cancelled the concession. British government decided to take matter to Hague. Eventually agreed to bring it before League of Nations.

**1933** Iranian government alleged that Indian workers had been employed in place of Iranian subjects.

**Aug 1933** Beginning of Iranian Independent Oil Policy.

**1935** New concession approved by Majles. Agreement with the company not with British government. New concession valid for 60 years until 31 Dec 1993. Area reduced to 100,000 sq. miles at company's discretion. Minimum royalty 750,000 pounds a year.

**1935** Company was re-named Anglo-Iranian Oil Company

**1937** Amiranian Oil Company. North of Iran for 60 years. A subsidiary of Seaboard Oil Company of Delaware. Company relinquished.

**1939** Dutch Concession. Central plateau. Nullified 1944 because of non-performance.

**1941** Invasion of Iran by Russia and Britain. No American troops. American reputation in Iran still good.

**Sept 1944** Arrival of Kavtaradze.

**02 Dec 1944** Oil Law forbidding grant of new oil concessions.

**1946** American financial mission to Iran by Millspaugh.

**1946** Confrontation of Soviet Union and United States over Azarbaijan.

**1946** Irano-Soviet Oil concession agreed.

**22 Oct 1947** Irano-Soviet Oil Concession rejected by the Majles. Government instructed to negotiate with Anglo-Iranian oil company for better terms.

**1949** Gass-Golshaian agreement signed between Iranian Government and the company. American companies offered 50 per cent share of profits to Saudi Arabia.



**July 1949** Small group of nationalist deputies fiercely opposed the agreement. Heated Majles debates over oil.

**Oct 1949** National Front formed. New election for the 16th Majles announced.

**April 1950** Mansur appointed prime minister. Oil committee established.

**27 June 1950** General Razmara appointed prime minister.

**1950** Production 240,000,000 barrels a year.

**Mar 1951** The Majles and Senate approved nationalisation.

**01 May 1951** The Shah assented. The Iranian Nationalisation Act became law. The 1933 agreement was cancelled. Assets of the company were transferred to Iranian National Oil Company.

### **Iranian Prime Ministers of 1940's**

Furughi	Aug 1941 - Mar 1942
Soheily	Mar 1942 - Jul 1942
Ghavam	Aug 1942 - Feb 1943
Soheily	Feb 1943 - Mar 1944 (second cabinet)
Saed	Mar 1944 - Nov 1944
Bayat	Nov 1944 - Apr 1945
Hakimi	May 1945 - Jun 1945
Sadr	Jun 1945 - Oct 1945
Hakimi	Oct 1945 - Jan 1946 (second cabinet)
Ghavam	Jan 1946 - Dec 1947 (second cabinet)
Hakimi	Dec 1947 - Jun 1948 (third cabinet)
Hazhir	Jun 1948 - Nov 1948
Saed	Nov 1948 - Apr 1950
Mansur	Apr 1950 - Jun 1950
Razmara	Jun 1950 - Mar 1951
Ala	Mar 1951 - Apr 1951
Mosaddegh	Apr 1951 - Aug 1953

### **American Ambassadors of 1940's**

Louis Dreyfus	- 1944
Leland Morris	1944 - 1945
Wallace Murray	1945 - 1946
George Allen	1946 - 1948
John Wiley	1948 - 1950
Henry Grady	1950 - 1953

## Short Biographies

Acheson Dean (1893-1971)

Assistant Secretary of State 1941

Under Secretary 1947

Secretary of State 1949-1953

Attlee, Clement Richard (1883-1967)

Deputy Prime Minister 1942-1945

Prime Minister 1945-1951

Bayat, Morteza Gholi (b 1887)

Iranian Prime Minister 1944-1945

Bevin, Ernest (1881-1951)

British Foreign Secretary 1945-1951

Bullard, Reader William (1885-1976)

British Ambassador in Tehran 1939-1946

Cadman, John (1877-1941)

Chairman of the Oil Company 1927-1941

Churchill Winston Leonard Spencer (1874-1965)

First Lord of Admiralty 1939-1940

Prime Minister 1940-1945

Leader of Opposition 1945-1951

Eden, Robert Anthony (1897-1977)

Foreign Secretary 1940-1945

Deputy leader of opposition 1945-1951

Fraser, William Milligan (1888-1970)

Deputy Chairman of the Oil Company 1928-1941

Chairman 1941-1956

Furughi, Mohamad Ali (1873-1942)

Iranian Prime Minister 1941-1942

Gass, Neville Archibald (1893-1965)  
Managing Director of the Oil Company 1939

Grady, Henry Francis (1882-1957)  
Assistant Secretary of State 1939-1941  
Ambassador to Iran 1950-1951

Golshayian, Abbas Gholi (b 1902)  
Iranian Finance Minister 1949

Jernegan, John D  
most experienced officer on Iran,  
worked closely with Iranian affairs between 1941 and 1950  
served in Tehran from 1943 to 1946

Le Rougetel, John Helier (1894-1975)  
British Ambassador to Iran 1946-1950

McGhee, George Crews (b 1912)  
Oil Geologist  
Co-ordinator of aid to Greece and Turkey 1947-1949  
Assistant Secretary of State 1949-1951

Northcroft, Ernest (1896-1976)  
Chief Representative of the Oil Company  
in Tehran 1945-1951

## Crude Oil

Crude oil is the residue of organic waste, rich in carbon and hydrogen atoms, that accumulated under the coastal areas. Pressurised by succeeding levels of sediment, it was converted into hydrocarbons, oil and natural gases. The droplets of oil were trapped by permeable rock. In this reservoir, salt water occupied the bottom and a gas cap was formed at the top. When the drill hits the reservoir, the gas cap forces the oil to flow into the well bore and on to the surface to form a gusher. Oil production results in a reduction of the underground pressure which has to be compensated by a gas lift, that is injecting gas back into the reservoir.

The crude oil has to be refined as it is of very little direct use. It is a mixture of petroleum liquids and gases whose components have to be isolated by way of thermal distillation. The early refineries acted like a still in which crude oil was boiled and then condensed at different temperatures to yield gasoline, kerosene, jet fuel, etc.

In early days, crude oil, was transported in various sizes of barrels. In 1866, Pennsylvania oil producers chose the 42-gallon barrel as their standard size. This was the standard size barrel in England for herring since 1482. Today, crude oil is transported by pipe lines and tankers in metric tons but barrel is still used worldwide.

## جنایات شخص دکتر مصدق

آقای دادستان کل یا راجع باین جرم ها اقدام کنید و با خودتان هم

شریک جرم میشوید

است دست و بال چاقو کشان دکتر مصدق تا حدی باز شود ولی در مقابل اعتبار اسکنااس ایران بواسطه کمبود پشتوانه بمبلغ زیادی کسر خواهد شد و عین عمل یعنی برداشت از پشتوانه اسکنااس جرم قابل تعقیب می باشد.

خوشبختانه این جرم مشهود دکتر مصدق بواسطه مخالفت شدید عبدالصاحب صفائی هنوز صورت عمل نگرفته است اما چه بسا که دکتر دیکتاتور بدون توجه با اعتراض صفائی این خیانت را هم مرتکب شود بنابراین باز هم دادستان کل اگر واقعا دادستان است باید از عملی شدن این جرم جلوگیری کند و گرنه قطعاً خودش هم مسئول می باشد

۳ - سازش با انگلیسها برای مصادره نفت ایران دولت انگلیس بوزارت دریا داری و وزارت جنگ خود دستور قطعی داده که در هر جا نفت ایران دیده شد فوری برفع شرکت غاصب سابق مصادره کنند از طرف دیگر یک شرکت دست نشانده انگلیس که اسماً تبعه ایتالی است با دکتر مصدق وارد مذاکره شده که پانصد هزار تن نفت از ایران بخرد و نرخ آن هم باینقسم تعیین گشته که پنجاه درصد تخفیف بدهند بیست و پنج درصد برای جبران خسارات شرکت غاصب در بانک و دیعه بگذارند و هفت درصد هزینه هم بعهده دولت ایران باشد و بقیه ۱۸ درصد را بپردازند دکتر مصدق با علم قطعی بدستور بحریه دولت انگلیس وارد این معامله شده است که پانصد هزار تن نفت ایران توسط انگلیسها در دریا مصادره گردد و منظورش این است که خریداران دیگر پس از اطلاع از این جریان بمیدان نیابند و یکباره نفت ایران بی خریدار بماند و از طرفی هم پانصد هزار تن نفت برای کان بدست انگلیسها بیفتد

۴ - معامله چغندر پیشوا - آقای دکتر مصدق علاوه بر داکین و خانه ها و مستغلات شهری هفت پارچه آبادی و قصبه و قراء در سر راه قزوین دارد که نام یکی از آنها احمد آباد است و شش قریه در کمر از قبیل قارپوز آباد و غیره محمیمه احمد آباد شده است (این هم یکی از نیرنگ های پیشوا که بگوید احمد آباد یک ده است در صورتی که هفت قریه است) محصول عمده این دهات غله و چغندر میباشد آقای پیشوا در هفته گذشته فرمان میدهد که چغندره های جنابشان را بابهای مناسبی برای کارخانه ها بخرند و از این بابت یک میلیون و پانصد هزار ریال پول گرفته است در صورتی که چغندره های دهات مجاور احمد آباد هم ارزانتر و هم عالی تر از چغندر های پیشواست اما چه باید کرد که پیشوای لیو فروش زور از همه زیادتر است

وای ای مردم که انتظار داریم این پیشوای مجرم خیانت کار سند ساز حقه باز

خیانت فاحش در اموال عمومی - دزدی از پشتوانه اسکنااس - جرم دیگری که در شرف وقوع میباشد - سازش با انگلیسها برای توقیف و ضبط کردن نفت - چغندر فروشی پیشوا و تحمیل بر کارخانه های دولتی -

خیانت فاحش و دستبرد در اموال عمومی - مجلس شانزدهم تحت تأثیر ترور بازی دکتر مصدق تصویب کرد که چهارده میلیون لیره پشتوانه اسکنااس موجودی در لندن بمصرف هزینه ضروری و فوری نفت برسد ولی پیش از تصویب قانون دو میلیون لیره از موجودی مزبور توسط دارو دسته دکتر مصدق برداشت شده بود و بقیه دوازده میلیون لیره موجود بود اکنون که دستگاه دولتی در نتیجه سوء سیاست اقتصادی دکتر مصدق بکلی از کار افتاده است جناب پیشوا که از زمان مظفرالدین شاه سابقه جعل سند و جعل فرمان و تقلب در امضاء دارد تقلب تازه بنظرش رسیده است و دستور داده است که معادل دو میلیون لیره از طلاهای پشتوانه اسکنااس ایران موجودی در بانک افریقای جنوبی بلندن بفروشند و معادل آن لیره دریافت کنند و باین حساب آقای دکتر مصدق اولاً بجای چهارده میلیون لیره مصوب مجلس شورای ملی شانزده میلیون لیره برداشت کرده است و ثانیاً باین نقل و انتقال از طلاهای پشتوانه اسکنااس معادل دو میلیون لیره از اعتبار اسکنااسهای دولتی کم کرده و از اعتبار اسکنااس بهمان میزان کاسته است آقای دادستان اگر این عمل اختلاس و دستبرد در اموال عمومی جرم نیست پس جرم چیست؟ و اگر جرم است که باید دکتر مصدق تعقیب و محاکمه شود و با آنکه این جریان را تکذیب کند تا اسناد قاطع معامله را در دسترس همگی قرار بدهیم

جرمی که در شرف وقوع است - باز هم در نتیجه سوء سیاست دکتر مصدق کار دولت بجائی کشیده که فروزان کفیل وزارت دارائی در صدد حراج فرشهای ادارات دولتی میباشد پیشوای کلاه ساز کلاه بردار بمنظور جلوگیری از رسوایی بفکر افتاده که مرتکب جرم دیگری شود و شروع آن چنین است:

دولت ایران در صندوق بین المللی سی و دو میلیون دلار سهم دارد بر طبق قانون مربوط بان صندوق هر دولتی میتواند باندازه ای که سهام خود را پرداخته از صندوق پول قرض کند و باز هم مطابق قوانین مربوطه بصندوق هیچ دولتی مازم نیست بیش از یک ربع سهام خود را نقداً تأدیه کند دکتر مصدق کلاه ساز کلاه بردار که تمام فکرش متوجه جعل امضا و سند بوده و هست برای اینکه از تنگنای اقتصادی فعلی خود را نجات دهد باز دستور داده که معادل ۲۴ میلیون دلار (بقیه سه ربع سهام ایران در صندوق مزبور) از طلاهای پشتوانه اسکنااس بفروش برسانند و بصندوق پول بین المللی بدهند تا در نتیجه بتواند معادل تمام ایران از آن صندوق پول قرض کند البته با این حال

## ARCHIVES

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PERSIA.

April 12, 1937.

CONFIDENTIAL.

SECTION 4.

[E 1972/1732/34]

Copy No.

8

*Mr. Seymour to Mr. Eden.—(Received April 12.)*

(No. 112.)

Sir,

Tehran, March 26, 1937.

WITH reference to Sir John Simon's circular despatch of the 28th May, 1935, I have the honour to transmit to you herewith a revised report on leading personalities in Iran.

2. I am indebted for the preparation of this report to the oriental secretary to His Majesty's Legation. It will be observed that the report has been considerably expanded, from seventy to 208 personalities. Its compilation has involved much labour, and Mr. Trott is, I think, to be congratulated on the production of a report which will preserve something of that wide knowledge of personalities in Iran, which has been so valuable an asset to His Majesty's Legation during his tenure of the post of oriental secretary.

I have, &amp;c.

H. J. SEYMOUR.

Enclosure.

*Report on Leading Personalities in Persia, 1937.*

- |   |  |
|---|--|
| 1. Anlam, Dr. Amir (Amir-i-A'alam).                             | 36. Atabeki, Ahmad (Mushir A'zam).                   |
| 2. Anlam, Muzaffar.   | 37. Atabeki, Mohsen.                                 |
| 3. Adl, or Adle, Mostafa (Manşur-us-Saltaneh).                  | 38. A'zam-Zanganeh, Ali (Amir-i-Kull).               |
| 4. Afkhami (or Afkham-Ibrahimi), Abdul-Reza.                    | 39. Azimi, Bagher (Nazim-ul-Mulk).                   |
| 5. Afsar, Mohammad Hashim (Shaikh-er-Rais).                     | 40. Azudi, Yadullah (Amir A'zam).                    |
| 6. Afshar, Reza.  | 41. Bader, Abdul Wahhab.                             |
| 7. Aghevelli, Farajullah.                                       | 42. Bader, Mahmud.                                   |
| 8. Ahy, Majid.  | 43. Badie (or Badi'), Hassan.                        |
| 9. Aïrom (or Ayrom), General Mohammad Hussein.                  | 44. Bahar (Malik-ush-Shuara).                        |
| 10. Akbar, Fathullah (Sipahdâr-i-A'zam), K.C.M.G.               | 45. Bahman, Ali Akbar.                               |
| 11. Ala, Hussein, C.M.G. (Mu'in-ul-Vizarch).                    | 46. Bahrami, Abdullah.                               |
| 12. Alamir, Abbas (A'zam-es-Saltaneh).                          | 47. Bahrami, Farajullah (Dabir-i-A'zam).             |
| 13. Ameri, Javad.   | 48. Bahrami, Dr. Hussein (Ahya-es-Saltaneh).         |
| 14. Ameri, Sultan Mohammad.                                     | 49. Bakhtiari, Murteza Quli.                         |
| 15. Amin, Habibullah (Amin-et-Tujjar).                          | 50. Bayat, Murteza Quli (Saham-es-Sultan).           |
| 16. Amin, Hussein (often called Amin Muhandis).                 | 51. Bayat, Mustafa Quli (Samsam-ul-Mulk).            |
| 17. Amini, Dr. Ali.   | 52. Braghon, Farrukh.                                |
| 18. Amini, Mohsen (Amin-ed-Doulch).                             | 53. Bushiri-Dehdashti, Agha Javad (Amir Hunayun).    |
| 19. Amirahmedi, or Ahmedi, Ahmed Agha.                          | 54. Bushiri-Dehdashti, Agha Reza.                    |
| 20. Amir-Beglari, Janfar Quli.                                  | 55. Buzurjimehri, General Kerim Agha.                |
| 21. Amir-Fazli, Ismail.   | 56. Dadgar, Mirza Hussein Khan (Adl-ul-Mulk).        |
| 22. Amir Khosrovi, Reza Quli.                                   | 57. Dadvar, Mehdi (Vussugh-es-Saltaneh).             |
| 23. Ansari, Ali Quli (Mushavir-ul-Mamalik).                     | 58. Dargahi, Mohammad.                               |
| 24. Ansari, Mahmoud Agha (Amir Iqtidar).                        | 59. Dashti, Ali.                                     |
| 25. Ansarie, Abdul Hussein Massoud.                             | 60. Daulatshahi, Abul-Fath.                          |
| 26. Arasteh, Nadir.   | 61. Diba, Ab'ul Fath (Hishmat-ud-Douleh).            |
| 27. Ardalan, Amanullah (Izz-ul-Mamalik).                        | 62. Diba, Abul Hassan (Siqat-ed-Douleh).             |
| 28. Ardalan, Nasir Quli.  | 63. Diba, Seyyid Abdul Ali (Seyyid-ul-Muhaqqiqin).   |
| 29. Ardalan, Gholam Ali.  | 64. Divanbegi, Agha.                                 |
| 30. Arfa, Hassan.   | 65. Ebtelahaj, Abol-Hassan.                          |
| 31. Arfa, Reza (Prince Arfa-ed-Douleh).                         | 66. Ebtelahaj, Ghulam Hussein.                       |
| 32. Asud (Assad, really As'ad), Mohammad Quli (Sardar Bahadur). | 67. Entezam, Nasrullah.                              |
| 33. Asudi, Salman.  | 68. Entezam, Abdullah.                               |
| 34. Asuf, Ali Naqi (Asaf-i-A'zam).                              | 69. Esfandiari, Colonel Abbas Quli.                  |
| 35. Assud-Bahadur, Assad.                                       | 70. Esfandiary, Abdul Hussein (Sadiq-ul-Mulk).       |
|   | 71. Esfandiari, Asadullah Yamni- (Yamin-ul-Mamalik). |
|   | 72. Esfandiary, Fathullah Noury.                     |

PERSIA

47  
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Governor General of Iran.

55578

22 OCT 1920

I hear that Musaddigh-us-Saltaneh  
has been appointed Gov. Genl. of Iran to succeed  
Farman Farma.

He was appointed Minister of Justice in  
Mushir. D. Dastgir (arrived 7 July 4. 1919).

This is what Mr. Norman said about him in his  
despatch No. 106 of July 9.

Musaddigh-us-Saltaneh is a son of Vazir-i-Daftar and of a sister of Farman Farma. He was hostile to his cousin, Nusret ed-Dowleh, and to Vosough-ud-Dowleh. He is also a half-brother of Hishmet-ud-Dowleh. He was formerly Under-Secretary of State in the Ministry of Finance. He has taken a law degree in France, and this is perhaps his only qualification for the Ministry of Justice. He has no political influence, and does not appear to enjoy much popularity. He left Tehran in 1919 to see his children in Switzerland. He recently endeavoured to return to Tehran by the Caucasus, but, owing to Bolshevik progress, was unable to proceed further than Tiflis. Thence he appears to have returned to Paris.

I can add:

His mother is a full sister of Farman Farma.  
His sister married Prince Firouz (Nusret-ed-Dowleh),  
and is the mother of Prince Masaffer (now at Harrow).  
She was divorced by Prince Firouz and is now the wife  
of Prince Azad-us-Sultan.  
He joined the legion as a Mustanfi or Gov. Accountant.



Envy

POLITICAL.

No. 578.

Your telegram No. 766 (of 25th November).

His Highness has, however, requested that you should be informed that sum paid by Sir P. Cox on conclusion of Agreement was advanced at instigation of Sarem-ed-Dowleh and Prince Firouz who each received 100,000 tomans: the remainder was placed at His Highness' own disposal by Sarem-ed-Dowleh but was not touched as Vossough was opposed to the procedure.

In any case he wishes Sipahdar to be enlightened that it was never question of £250,000. See your telegram No. 751 of November 17th and your correction in 754 of 18th November.

# SECRET

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British Embassy,  
TEHRAN.

No. 42/44/44/.

20th November 1944.

## MILITARY ATTACHE'S

### INTELLIGENCE SUMMARY No. 44

FOR THE PERIOD 13th NOVEMBER TO 19th NOVEMBER 1944.

## PERSIAN AFFAIRS.

### Political.

1. Persia is still without a government. The Persians take a childish delight in any such "grown up" disease as a political crisis. Being individualists without loyalty, discipline or cohesion they are loth to sink their differences, fix upon a common policy and elect leaders to carry out that policy. The Majlis has met in secret or open session almost daily. A Bill to except Dr. Mucaddiq (if elected as Prime Minister) from the provisions of the constitutional laws and to preserve his parliamentary seat against the time when he might resign from the premiership was defeated by 64 votes out of 91 cast. At subsequent meetings of the Majlis groups on 15th November Hussein Samii, Adib-us-Saltaneh (F.O.199; M.A.254) was nominated by the Mihan group; Murteza Quli Payat, (Saham-us-Sultan) - F.O.47; M.A.65 by the Ittehad i Milli group, and Sadiq Sadiqi, (Mushtashud-Dowleh) - F.C. 193; M.A.248 by the Azadi group. The Independents, after some discussion with the other groups finally advanced three names as candidates for the premiership, Hassan Isfandiari (Muhtashim-us-Saltaneh) F.O.90; M.A.125; Sadiq Sadiqi and Samii (Adib-us-Saltaneh). They were subsequently asked to reduce the number of their candidates to two. Nothing original in the way of a policy or vigour in carrying it out can be expected from any of the above and the ideas in the minds of the majority of deputies are probably that after the recent deterioration in Perso-Soviet relations it is essential to choose a Prime Minister who, though he will not give the Russians their concession, will at least not irritate them further nor be a target for their personal animosity as Sa'ed was, and that as long as the war lasts and foreign troops on Persian soil prevent the Persians from being complete masters of their own house no strongly nationalistic policy or vigorous Prime Minister is indicated or indeed advisable.

2. The Russian sponsored newspapers and the Freedom Front Press have kept up their attacks on Sa'ed, blaming his policy for embittering Perso-Soviet relations, his "Fascist" government for suppressing certain of the Tudoh group of newspapers and for oppressive action against Tudoh demonstrators. This Persian habit of kicking a man when he is down or continuing to revile him after he has resigned office suits the Russian book as they hope to obscure their recent defeat over the oil concession by a more concentrated attack on Sa'ed for his mistaken policy and past misdoeds which, they claim, are leading the country to ruin.

3. A further Tudoh demonstration on 17th November on a small scale and unescorted by Russian troops, was stopped

and/

opinions freely, and nobody, not even the Shah, escaped his criticisms. An apparently organised attempt to assassinate him was made in October 1926 one morning in the street, but, although wounded in three places, he managed to escape with his life. For an old-fashioned cleric he is cute and far-sighted, but is a demagogue and obstinate. Speaks no European language.

Persistent rumours say that Mudarris is dead, but as no official announcement to this effect has ever appeared, it must be presumed that he is still in exile at Kelat in Khorasan.

128. *Muhsin, Suleiman*.—Born about 1875. An obscure Qajar Prince, probably descended from the numerous progeny of Fath Ali Shah. In the early years of the Persian Constitution he was one of the leaders of the Democrat party. Elected a Deputy to the third Majlis, and left Tehran with the pro-German clique in 1915 for Bagdad and Constantinople. On the capture by the British forces of Bagdad, Suleiman Mirza took refuge with the Sinjabi tribe on the Perso-Iraq frontier, whence he conducted a system of espionage against the British army. On the Sinjabis refusing to surrender him, they were attacked in 1918, and Suleiman Mirza was captured and sent to India. He returned to Persia in 1921 and was again elected to the Majlis, where he led a small Socialist group. Was again elected to the fifth term of the Majlis and was leader of the minority party. Appointed Minister of Education in 1923, but did nothing beyond filling the posts of that Ministry with his Socialist friends. Since the establishment of a Soviet representation in this country, Suleiman Mirza has been on terms of close friendship with the Soviets, but he has lost any popularity he ever had, and his Socialist party has broken down badly. In October 1927 he went to Moscow to be present at the tenth anniversary of the Soviet régime, and afterwards he visited Berlin and Paris, returning to Persia in the winter of 1930.

He is a demagogue and time-serving politician, for whom modern Persia has little use.

Speaks no European language.

Retired completely from the political arena in 1931, and is said to run a grocer's shop now in Tehran.

129. *Muhsini, Dr. Ahmad ('Imad-ul-Mulk)*.—Born about 1885. Native of Khorasan. Came to Tehran in his youth and studied medicine.

Went to England before the war, where he made the acquaintance of Professor Browne, who helped him in many ways. Studied medicine in England, but failed to qualify as a doctor. Lost interest in medicine and then studied pedagogy.

Returned to Persia in (?) 1918.

Employed under the Ministry of Education and made head of the department of the Ministry of Education in Azerbaijan, where he was at the time of the Shah's visit in (?) 1932. On the resignation or dismissal of Mirza Yahya Khan Gharagozlou from the post of Minister of Education in June 1933, Dr. Muhsini became acting Minister of Education.

In this post he was not a success, being old-fashioned and conservative in his methods. The Cabinet resigned in September 1933; and Dr. Muhsini was relegated to the comparatively unimportant post of Governor of Kermanshah in the following November. Relieved of his duties at Kermanshah July 1935, since when he has been in retirement at Tehran.

Dr. Muhsini is rather a wind-bag with a great sense of his own importance.

130. *Musaddiq, Dr. Muhammad (Musaddiq-us-Saltaneh)*.—Born about 1885. Is a nephew of Farman Farmayan. Has studied law in Paris to a certain extent and poses as a jurist. Appointed Governor-General of Fars in 1920. Appointed Minister of Finance in June 1921, and sought and obtained authority from Parliament to purge and reform that Ministry. However, during his six months' tenure of that portfolio he destroyed indiscriminately the good with the bad, and at the end the organisation was worse than before, as he proved himself entirely incapable of making reforms. Appointed Governor-General of Azerbaijan in 1922, and in 1923 became Minister for Foreign Affairs for a period of four months. Elected as a Deputy to the fourth, fifth, and sixth terms of the Majlis from Tehran. Owing to his opposition to the Government in the sixth term, steps were taken to prevent him from being elected to later terms of the Majlis. He is a demagogue and a windbag.

Speaks French fluently.

Is now living in retirement in Tehran.

131. *Mushar, Hassan* (i). Career in the Ministry of Finance in 1911. Minister of Finance in 1911. Hassan Khan Vossuq, subsequently without portfolio until June 1921. Zia-ed-Din in 1921. Elected in 1921, but, being suspected Minister of War, he was obliged to resign. In 1924, his innocent Minister for Foreign Affairs. Appointed Minister of Finance in 1924, having found that the international administration rendered his position impossible.

He is a man of common sense. In Foreign Affairs, he showed himself very capable. His best endeavours for the settlement of the Persian question with many of his compatriots. His character and outspokenness.

In 1931 he was appointed Minister of War, a post which appears to have been handed over to him at the end of the year he was appointed.

132. *Muzaffari, Hussain*. Born 1894. Fifth and a favourite of the Imperial family. Educated in Europe. He was taken to Europe on the Imperial family. Educated in Europe. He was a classmate of his nephew, who had a greater affection for him.

Appointed Governor-General of Fars in 1918. Accompanied the late Nizam-us-Saltaneh (Din Mirza) and one daughter to the dignity of his Imperial family. Cultivated, speaking French on good terms with members of the Imperial family. When in Fars he kept up the dignity of his Imperial family. Cultivated, speaking French on good terms with members of the Imperial family. When in Fars he kept up the dignity of his Imperial family.

When in Fars he kept up the dignity of his Imperial family. Cultivated, speaking French on good terms with members of the Imperial family. When in Fars he kept up the dignity of his Imperial family.

In November 1933, as the Qajar family, a press conference, and Nusrat-us-Saltaneh to the press stating that the Persian press, were completely satisfied by the household of the Imperial family.

133. *Nabavi, Taqhi* (i). the Ministry for Foreign Affairs. Ashkabad 1910. Karguzar. Has served as consul-general in Seyyid Zia's Cal in Iraq 1931-32. Appointed Company, 1935.

A corpulent little man in with Teymourache, but irregular use of customs person, though not exceedingly so.

134. *Naficy, Dr. Ali*. Dr. Moadéb Naficy).—Eld

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[This telegram is of particular secrecy and should be retained  
by the authorised recipient and not passed on]

[CYPHER]

WAR CABINET DISTRIBUTION

FROM TEHRAN TO FOREIGN OFFICE

Sir R. Ballard,

No. 187

28th February 1944

D. 6.52 a.m. G.M.T. 27th February 1944

R. 9.57 a.m. B.S.T. 27th February 1944

Repeated to Government of India  
M.E. Min. Saving.  
Bagdad. Saving.

E 1326

.28 FEB 1944

IMPORTANT

Political situation on eve of opening of the Majlis which is to take place February 28th is as follows.

2. Prime Minister is shaky but now that Kavan al Saltana presumably has been eliminated by our opposition there are only two serious alternatives, the Minister for Foreign Affairs and Persian Ambassador at Moscow. The Prime Minister would normally resign when credentials of all deputies have been verified i.e. after two or three weeks but he may resign at once to show his readiness to submit to Parliamentary control. The Minister of Commerce and Industry did not dare to face the Majlis and has presented his resignation so frequently that it has been accepted at last. He still denies having killed a workman and gives as grounds for his resignation that Docter Millspaugh will not provide funds for munition factories which are making arms for Soviet Government. Millspaugh in an interview with Press alludes to factories (particularly those making munitions) which always have a deficit and expect Treasury to make it up: these he said must be made self-supporting. *said they both munitions Smith*

3. The Shah has made further movement towards control of army by issuing orders through his nominee in place of Minister of War, and without knowledge of Chief of General Staff for transfer of Under Secretary for War and several other changes designed to isolate Chief of General Staff who in consequence feels more and more helpless since an increasing number of officers in key positions are now henchmen of the Shah and Razmara and hostile to American Advisers. There is good evidence that the Shah has recently talked violently against Ridley and Millspaugh because they will not support his schemes for a larger army.

Foreign Office please pass to Government of India as my telegram No. 57.

OTP.

## Postscript

Perhaps it was by fortune that the last well G B Reynolds, D'Arcy's engineer, sunk in Maidan-Naftun in 1908 hit oil. The gusher brought fortune for Britain but a bitter dispute and sorrow for Iran. The hydrocarbon substance, so vital for Western industry, changed the south-west of Iran beyond recognition. The small fishing mudbank village of Abadan was turned into the world's largest oil refinery. The remote unknown Meidan-Naftun was renamed Masjed-i-Soleiman and universally known by its English abbreviation, MIS.

Iranians have always appreciated the role Mosaddegh played in removing foreign influence from Iran. D'Arcy, however, never had the recognition he deserved. One refinery near Swansea was named Llandarcy, in honour of the English financier who worked the oil concession to the point of bankruptcy although he was actually stripped off his fortune !

Reynolds is in no better position. The Iranian authorities may have preserved, on the site where oil was first struck, his original set up and *puffing Billy* that produced steam to work the hammer. He has, however, no memorial.

Today, there is no mention of Llandarcy either, let alone that of Reynolds who spent several years of his life in the harsh rugged terrains of Iran searching for oil.

Whether driven by the lure of financial gain, prestige, power or love of adventure, made no difference to the capitalist system. Once you have done your job you get paid and that is it.

## **VITAE**

Hesamedin Navabi was born to Mr M K Navabi and Mrs S K Solati in 1956 in Shiraz, Iran. He went to school in Shiraz but completed his high school in Tehran where he also received his BSc in Civil Engineering from Iran University of Science and Technology in 1978.

He moved to Britain in 1979 and obtained professional qualifications and a chartership in Civil Engineering as well as a private pilot's license. However, because of strong interest in international relations, he registered at Durham University where he completed his PhD which took eight years part-time.

He has acquired considerable experience both in civil engineering and flying.

